

Illustrative auditor's report on financial statements of a public fund established in the form of an Open-ended Fund Company

(effective from 30 July 2018)

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a public Open-ended Fund Company¹ ("OFC"), whether listed or other than listed, using Hong Kong Financial Reporting Standards (HKFRSs). The audit is not a group audit (i.e., HKSA 600² does not apply).
- The financial statements are prepared by the manager and the directors of the OFC in accordance with HKFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of the manager's and the directors' responsibility for the financial statements in HKSA 210³.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the OFC's ability to continue as a going concern in accordance with HKSA 570 (Revised)⁴.
- Key audit matters have been communicated in accordance with HKSA 701⁵.
- The auditor has obtained all of the other information⁶ prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under the relevant disclosure provisions of the OFC's instrument of incorporation, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules, Appendix E of the Code on Unit Trusts and Mutual Funds and Chapter 9 of the Code on Open-Ended Fund Companies issued by the Hong Kong Securities and Futures Commission.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of XYZ OFC
(incorporated in Hong Kong with limited liability)⁷

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of XYZ OFC ("the Company") [and [name of all sub-funds] (each a separate sub-fund of the Company and referred to as "Sub-Funds")⁸ set out on pages to,

¹ According to paragraph 2.18 of the OFC Code, "public OFC" means a proposed company or an OFC intended to apply for an authorization by the SFC under section 104 of the SFO or which has obtained such authorization by the SFC.

² HKSA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³ HKSA 210, *Agreeing the Terms of Audit Engagements*

⁴ HKSA 570 (Revised), *Going Concern*

⁵ HKSA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁶ HKSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 12(c)

⁷ In Hong Kong, it is a common practice to disclose the place of incorporation of the company.

⁸ Amend as appropriate for umbrella OFCs. According to paragraph 9.6 of the OFC Code, for OFCs that are formed as umbrella OFCs, the financial reports must show the respective financial positions and results of the umbrella OFCs and those of the individual sub-fund(s) of umbrella OFCs. It is assumed in this illustrative auditor's report that all sub-funds have been in operation for more than 18 months.

which comprise the [statement of net assets attributable to shareholders][statement of financial position]⁹ as at 31 December 20X1, and the [statement of profit or loss and]¹⁰ statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to shareholders and statement of cash flows [and distribution statement]⁹ for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company [and each of the Sub-Funds]⁸ as at 31 December 20X1, and of its/[each of their]⁸ financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company [and the Sub-Funds]⁸ in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Key Audit Matters]¹¹

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with HKSA 701, Communicating Key Audit Matters in the Independent Auditor's Report.]

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in HKSA 720 (Revised), The Auditor's Responsibilities Relating to Other Information – see Illustration 1 in Appendix 2 of HKSA 720 (Revised).]

Responsibilities of Manager and Directors and Those Charged with Governance for the Financial Statements¹²

The Manager and the Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager and the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Directors are responsible for assessing the ability of the Company [and the Sub-Funds]⁸ to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Directors either intend to liquidate the Company [and the Sub-Funds]⁸ or to cease operations, or have no realistic alternative but to do so.

⁹ Delete as appropriate, different terms may be used as long as they are consistent with the titles of the corresponding statements.

¹⁰ HKAS 1 allows entities to present comprehensive income using either a one statement approach (i.e. a single "statement of profit or loss and other comprehensive income") or a two-statement approach (i.e. a "statement of profit or loss" together with a "statement of profit or loss and other comprehensive income"). Different terms may be used as long as they are consistent with the titles of the corresponding statements.

¹¹ Applicable for listed entities only.

¹² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

In addition, the Manager and the Directors are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the instrument of incorporation of the Company [and the Sub-Funds]⁸ dated [XX] , Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC Code") issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the financial reporting process of the Company [and the Sub-Funds]⁸.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.¹³ Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Company [and the Sub-Funds]⁸ have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the instrument of incorporation of the Company [and the Sub-Funds]⁸, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

Paragraph 41(b) of HKSA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of HKSA 700 (Revised) explains that when law, regulation or HKSAs expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company [and the Sub-Funds]⁸.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager and the directors.
- Conclude on the appropriateness of the manager's and the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company [and the Sub-Funds]⁸ to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future

¹³ Auditors may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

events or conditions may cause the Company [and the Sub-Funds]⁸ to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.]¹¹

Report on matters under the relevant disclosure provisions of the instrument of incorporation of the Company [and the Sub-Funds]⁸, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code #

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the instrument of incorporation of the Company [and the Sub-Funds]⁸, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

[The engagement partner on the audit resulting in this independent auditor's report is [name]¹⁴.]

ABC & Co.
Certified Public Accountants (Practising) or Certified Public Accountants
[Auditor Address]
[Date]

According to rule 154 of Part 7 of the OFC Rules, the auditor is required to report on the following items by exception:

- (1) In preparing an auditor's report under rule 153(1), the auditor must carry out an investigation that will enable the auditor to form an opinion as to—
 - (a) whether adequate accounting records have been kept by the open-ended fund company;
and
 - (b) whether the financial statements are in agreement with the accounting records.

¹⁴ The name of the engagement partner is included in the auditor's report for audits of complete sets of general purpose financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see HKSA 700 (Revised), paragraph 46).

- (2) An open-ended fund company's auditor must state the auditor's opinion in the auditor's report if the auditor is of the opinion that—
- (a) adequate accounting records have not been kept by the company; or
 - (b) the financial statements are not in agreement with the accounting records in any material respect.
- (3) If an open-ended fund company's auditor fails to obtain all the information or explanations that, to the best of the auditor's knowledge and belief, are necessary and material for the purpose of the audit, the auditor must state that fact in the auditor's report.