



Minutes of the 315th meeting of the Auditing and Assurance Standards Committee held on Tuesday, 15 February 2011 at 10:00 a.m. in the Conference Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

- Present: Mr. Jack Chow (Chairman)
Mr. Stephen Chan
Mr. Colin Chau
Mr. Raymond Cheng
Ms. Mabel Cheung
Mr. John Chong
Mr. Alun Grassick
Ms. Grace Ma
Mr. Paul Phenix
Mr. Keith Pogson (via tele-conference)
Mr. Charlix Wong
Miss. Joyce Woo
- In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Selene Ho, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting

Apologies for absence was received from Mr. Derek Broadley.

2425. Welcome to new members and Committee composition for 2011

The Chairman welcomed Mr. Raymond Cheng, Mr. John Chong and Ms. Joyce Woo as new members of the Committee.

2426. Guidance note on general confidentiality rules

The Chairman drew members' attention to the guidance note on the general confidentiality rules in relation to minutes and agenda papers of the Council and Committees appointed by the Council.

2427. Terms of Reference

The Committee considered the terms of reference which was brought forward from last year. The Standard Setting Department (SSD) was requested to revise the terms of reference as proposed and circulate the revised Terms of Reference for approval by circulation.

[Post Meeting Note: The revised terms of reference was endorsed by the Committee by circulation on 11 March 2011.]

Action

SSD

2428. Meeting Schedule for 2011

The Committee agreed on the following meeting dates for 2011:

15 February
22 March
19 April
24 May
21 June
19 July
20 September
18 October
22 November
20 December

2429. Minutes of the 314th Meeting

The minutes of the 314th meeting were approved by the Committee, subject to some minor amendments and it would be signed at the next meeting.

SSD

2430. Proposed Work Plan for 2011

The Committee considered the proposed work plan for 2011 and noted that the key areas addressed in the work plan are:

- (i) To maintain a concurrence agenda with the IAASB; and
- (ii) To develop/ update local guidance to align with clarified HKSAs.

The Committee discussed and provided comments on various projects:

- the adoption issue on the proposed ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* given that the proposed ISAE as drafted adopts a different approach to current practices;
- the progress on HKSIR project;
- the progress on discussion paper on requests for special purpose reports;
- the development of guidance for reporting on HKEx requirements on very substantial disposals;
- the implementation of new bank confirmation in HKSA 505 (Clarified) *External Confirmation*;
- the nature of XBRL project of IAASB.

SSD

Regarding local guidance, the SSD, with the assistance of the various Working Groups and Liaison Groups, would continue to update various practice notes or circulars to align the requirements with the clarified HKSAs. In relation to the proposed ISAE 3420, SSD would monitor the development of the project and how other jurisdictions would adopt the standard as drafted.

The Committee endorsed the work plan for 2011.

2431. To discuss the requirements of paragraph 10(e) of HKSA 210 (Clarified) Agreeing the Terms of Audit Engagements

The SSD reported that members had concerns on the requirements of

paragraph 10(e) of HKSA 210 (Clarified) in relation to the inclusion of reference to the expected form and content of any reports to be issued by the auditor in the audit engagement letter.

In order to comply with this requirement, the Committee concluded that members can either 1) physically attach an example auditor's report in the engagement letter; or 2) refer to an example auditor's report in the Appendix of HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements* and include the relevant Bannerman language in the engagement letter, where appropriate.

The Committee also suggested the Institute to issue relevant guidance by way of a Q&A, for example, in APlus or TechWatch. SSD

2432. Auditing and Assurance Technical Bulletin (AATB) 1 Assistance Options to New Applicants and Sponsors in connection with Internal Controls over Financial Reporting

The Committee was requested to consider whether AATB 1 (in particular, paragraph 12) required updating in view of the revised Code of Ethics for Professional Accountants (the revised Code) which has been effective since 1 January 2011. In the revised Code, there are certain new prohibitions for providing certain services to audit clients which are public interest entities (PIE).

The Committee deliberated about whether an IPO applicant should be considered as a PIE. The Committee agreed to seek comments from the Ethics Committee (EC) and the Accountants' Report Sub-Committee (ARSC). If necessary, any subsequent amendments to AATB 1 would be made by the ARSC.

The SSD was requested to circulate the relevant document to the EC and ARSC for their comments. SSD

[Posting meeting note: The SSD circulated the relevant document to the EC and ARSC for comments on 16 February 2011.]

2433. To discuss issuing a Chinese Standard Bank Confirmation Request Form (Bank Confirmation)

The Committee noted the need to develop a Chinese version of the extant Bank Confirmation and requested the SSD to draft a Chinese translation version of the Bank Confirmation as set out in Appendix 2 of HKSA 505 (Clarified). This Chinese version of the Bank Confirmation should be made available for requesting bank confirmations from banks in the PRC. SSD

The Committee also requested the SSD to agree the draft Chinese version of the Bank Confirmation with the Hong Kong Association of Banks (HKAB) and to seek HKAB's comments on whether banks in Hong Kong would accept bank confirmations in Chinese. SSD

2434. Update on Companies Ordinance Re-Write

The SSD updated the Committee on the progress of the Companies Ordinance Rewrite and requested the Committee to provide comments on

the proposed Companies Bills, if any.

2435. **To discuss certain issues on HKSA 600 (Clarified) Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)**

One Committee member invited comments from other Committee members in dealing with the new requirements of HKSA 600 (Clarified) regarding the involvement of the group engagement auditor in the work of a component auditor.

The Committee members shared their views on what constitute adequate audit evidence obtained from component auditor and how the auditors should work together as a profession.

There being no further business, the meeting closed at 12:10 p.m.

JACK CHOW
CHAIRMAN

11 March 2011