



Auditing and Assurance Standards Committee
Meeting Summary – March 2009

The Auditing and Assurance Standards Committee (Committee) met on 24 March 2009.

Members present at the meeting were: Keith Pogson (Chairman), William Crowe (Deputy Chairman), Derek Broadley, Stephen Chan, Colin Chau, Mabel Cheung, John Chong, Raphael Ding, Charles Grieve, Paul Phenix and Lesley Wong.

Staff present at the meeting were: Steve Ong, Selene Ho and Phoebe To.

The following agenda items were discussed:

1. Adoption of New IAASB Pronouncements
2. Endorsement of New Revised and Redrafted HKSQC and HKSAs
3. Draft Chinese report of Circular on Reporting related to Rule 2.1(b) of the Rules for the Capital Investment Entrant Scheme of the Hong Kong Immigration Department (the Circular)
4. Letter from Hong Kong Accreditation Service (HKAS) on procurement of Consultancy and Certification Services

1. Adoption of New IAASB Pronouncements

The Committee considered and endorsed the adoption of the following revised and redrafted ISAs except for ISA 805, subject to further consideration by the Standard Setting Department (SSD) on the local guidance provided in the extant HKSAs:

- (a) *ISA 210 Agreeing the Terms of Audit Engagements*
- (b) *ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- (c) *ISA 402 Audit Considerations Relating to an Entity Using a Service Organization*
- (d) *ISA 700 Forming an Opinion and Reporting on financial Statements*
- (e) *ISA 800 Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- (f) *ISA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (g) *ISA 810 Engagements to Report on Summary Financial Statements*

ISAs would be effective for audits of financial periods commencing on or after 15 December 2009.

In relation to ISA 805, the Committee requested the SSD to prepare a position paper on whether Hong Kong should adopt ISA 805 which allows a presents fairly opinion to be opined in the following circumstances:

- Audit of a statement of cash receipts and disbursements (i.e. a single financial statement);
- Audit of a balance sheet (i.e. a single financial statement).

The Committee considered and endorsed the adoption of the revised and redrafted ISAs except for ISA 805. The SSD was also requested to consider the local guidance provided in the extant HKSAs. Where appropriate, relevant local guidance would be included as an appendix or as footnotes in the proposed HKSAs.

2. Endorsement of New Revised and Redrafted HKSQC and HKSA

The Committee endorsed the following proposed HKSQC and HKSA:

- (a) HKSQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and related Services Engagements*
- (b) HKSA 200 *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with HKSA*
- (c) HKSA 220 *Quality Control for Audits of Financial Statements*
- (d) HKSA 500 *Considering the Relevance and Reliability of Audit Evidence*
- (e) HKSA 520 *Analytical Procedures*

3. Draft Chinese report of Circular on Reporting related to Rule 2.1(b) of the Rules for the Capital Investment Entrant Scheme of the Hong Kong Immigration Department (the Circular)

The Committee noted that the Circular has been posted on the HKICPA's website on 13 March 2009.

The Committee considered the Chinese report prepared by the SSD and made certain suggestions.

The Chinese report was approved by the AASC by circulation on 5 May 2009 and was posted to the Institute's website on 8 May 2009. The Chinese report can be viewed at: http://www.hkicpa.org.hk/professionaltechnical/assurance/example_auditors/CIESreport.pdf

4. Letter from Hong Kong Accreditation Service (HKAS) on procurement of Consultancy and Certification Services

The Committee noted that the HKICPA had received a letter dated 19 February 2009 from HKAS. The purpose of the letter is to alert users of certification service to the potential risk of using contract to procure both consultancy and certification services.

The Committee noted that this letter had been discussed in the Ethics Committee Meeting on 18 March 2009. The SSD had checked the list of accredited certification bodies published on the website of the HKAS and it did not appear that CPA registered firms are accredited certification bodies. The SSD had also confirmed with an official of HKAS, that there were no CPA firms providing certification services. In view of this, the Committee agreed that no further action will be required.

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