

HONG KONG SOCIETY OF ACCOUNTANTS
Auditing and Assurance Standards Committee
Meeting summary – November 2003

The HKSA Auditing and Assurance Standards Committee (Committee) met on 18 November 2003.

Members present at the meeting were: Wong Tak Wai, Alvin (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), Deborah Annells, Albert Au, Andrew Bennett, Patrick Cheng, Kim Chong, William Crowe, Charles Grieve, Lucia Li, Man Mo Leung, Phyllis Mo and Paul F. Winkelmann.

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

The following agenda items were discussed:

1. Adoption of the IAASB new Audit Risk Standards and conforming changes to ISA 200 “Objective and General Principles Governing an Audit of Financial Statements”
2. Adoption of International Auditing Practice Statement 1014 “Reporting by Auditors on Compliance with International Financial Reporting Standards”
3. PN 840 “The audit of solicitors’ accounts under the Solicitors’ Accounts Rules and the Accountant’s Report Rules” – proposed amendment to paragraph 19(b)
4. Proposed PN 820 “The audit of licensed corporations and associated entities of intermediaries”
5. Working Group on Mainland audit issues
6. Joint Working Group on “Auditor resignation”

1. **Adoption of the IAASB new Audit Risk Standards and conforming changes to ISA 200 “Objective and General Principles Governing an Audit of Financial Statements”**

The Committee considered the new and revised Audit Risk ISAs and conforming changes to ISA 200 issued by the IAASB and endorsed their adoption verbatim as new and revised SASs in Hong Kong as part of the HKSA International Standards Convergence Programme:

- new SAS 315 “Understanding the entity and its environment and assessing the risks of material misstatement”;
- new SAS 330 “The auditor’s procedures in response to assessed risks”;
- new SAS 500 “Audit evidence”;
- revised SAS 100 “Objectives and general principles governing an audit of financial statements”.

2. **Adoption of International Auditing Practice Statement 1014 “Reporting by Auditors on Compliance with International Financial Reporting Standards”**

The Committee considered the adoption of IAPS 1014 in Hong Kong as part of the HKSA International Standards Convergence Programme and agreed that it should be issued as an Exposure Draft for a consultation period of two months.

[The HKSA Exposure Draft is available on-line at:

http://www.hksa.org.hk/professionaltechnical/assurance/exposedraft/ed-pn1014_cover.pdf.]

3. **PN 840 “The audit of solicitors’ accounts under the Solicitors’ Accounts Rules and the Accountant’s Report Rules” – proposed amendment to paragraph 19(b)**

The Committee considered that the proposed amendment should set out both the Law Society’s interpretations of the requirements of its Practice Direction J “Interest on Clients’ Account” applicable prior to and after 13 August 2003 provided to the HKSA. The Committee requested the secretariat to present a further draft for the Committee’s consideration at the next meeting.

4. Proposed PN 820 “The audit of licensed corporations and associated entities of intermediaries”

The Committee considered the revised proposed PN 820 which had been endorsed by the Expert Panel on Securities after taking into account the comments received on the Exposure Draft. Subject to a few minor drafting amendments, the Committee endorsed that the final proposed PN 820 be submitted to the Securities and Futures Commission (SFC) to see if it had any further comments, before its submission to Council for approval for issuance as a final statement.

[Post meeting note: The final proposed PN 820 was approved by Council at its February 2004 meeting.]

5. Working Group on Mainland audit issues

The Committee considered the draft Questions and Answers on “Recognition of sales in the Mainland” prepared by the Working Group for publication in The Hong Kong Accountant and proposed some editorial changes. The Working Group was requested to revise the draft Q&As to take into account the Committee’s above comments and to note that a copy of the draft Q&As should be passed to the SFC for input before its publication.

[Post meeting note: The final Q&As were published in the January 2004 issue of The Hong Kong Accountant.]

6. Joint Working Group on “Auditor resignation”

The Committee noted that the HKSA had agreed to form a Working Group to consider the request from the SFC on what additional guidance can be provided by the HKSA on how much and what sort of information should resigning auditors provide to the market and to the incoming auditors.

Four members of the Committee volunteered to join the Working Group. Other members of the Working Group would be drawn from the Ethics Committee together with a lawyer member from the Professional Risk Management Committee.

[Post meeting note: The Working Group held two meetings in November 2003 and January 2004 respectively. On 18 February 2004, a meeting was held with the SFC/HKEx to exchange views on how HKSA Professional Ethics Statement 1.207 “Changes in a professional appointment” and the Listing Rules might be amended to enhance the disclosure of reasons for the resignation of auditors.]

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