



Minutes of the 302nd Meeting of the Auditing and Assurance Standards Committee held on Tuesday, 16 June 2009 at 8:30 a.m. in the Board 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. Keith Pogson (Chairman)
Mr. William Crowe (Deputy Chairman) (via conference call)
Mr. Derek Broadley
Mr. Stephen Chan
Mr. Colin Chau
Ms. Mabel Cheung
Mr. John Chong
Mr. Charles Grieve
Mr. Paul Phenix (represented by Mr. Danny Choi)
Mrs. Lesley Wong
Mr. Steve Ong, Director (Standard Setting)
Ms. Selene Ho, Assistant Director (Standard Setting)
Ms. Phoebe To, Manager (Standard Setting)

Apologies for absence were received from Mr. Raphael Ding.

Council
Action

2323. Minutes of the 301st Meeting

The minutes of the 301st meeting were approved by the Committee and signed by the Chairman.

2324. AASC Work Plan for 2009 – Status Report

The Committee considered the status report of the Work Plan for 2009 and noted the progress made on the various projects.

2325. Endorsement of New Revised and Redrafted HKSA's

The Committee considered the following draft HKSA's prepared by the Standard Setting Department (SSD) based on the international equivalents:

- (a) HKSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- (b) HKSA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*
- (c) HKSA 501 *Audit Evidence—Specific Considerations for Selected Items*
- (d) HKSA 510 *Initial Engagements—Opening Balances*
- (e) HKSA 550 *Related Parties*
- (f) HKSA 560 *Subsequent Events*
- (g) HKSA 580 *Written Representations*
- (h) HKSA 700 *Forming an Opinion and Reporting on Financial Statements*
- (i) HKSA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- (j) HKSA 710 *Comparative Information—Corresponding Figures and Comparative Financial Statements*

The Committee considered the draft HKSA's and had the following comments for consideration by the SSD:

- (a) HKSA 510 – To check with IAASB whether it has an intention to align references to statements in the financial statements to the revised terms as described in the IAS 1 (Revised) *Presentation of Financial Statements*;
- To amend the illustrations of auditors’ reports by following the exact wordings of the ISA unless they contradict with the local law and regulation; and
 - To check the local law and regulation for any prohibition of auditor to refer to the predecessor auditor’s report on the corresponding figures in the auditor’s report for the current period as described in footnote 11a;
- (b) HKSA 700 – To replace the wording of “FRSC” with “HKICPA” in paragraph 9;
- To update PN600.1 (mentioned in footnote 10c) as it was considered outdated;
 - To re-consider paragraphs 44 and 45 on auditor’s report for audits conducted in accordance with two auditing standards;
 - To ensure the consistent usage of “auditors” and “auditor” in footnote 20a and 21a; and
 - To amend the illustrations of auditors’ reports as discussed in (a) above.
- (c) HKSA 706 – To amend the illustration of an auditor’s report as discussed in (a) above;
- (d) HKSA 710 – To amend the illustrations of auditors’ reports as discussed in (a) above;

The Committee would endorse the revised HKSAs by circulation after the SSD has considered the relevant comments mentioned above.

The Committee endorsed HKSAs 240, 250, 501, 550, 560 and 580 and agreed to include Illustration 4 “An auditor’s report for a company incorporated overseas and reporting in Hong Kong” as additional local guidance to members.

The Committee was informed that the HKICPA would issue the revised and redrafted HKSAs in three batches by June, July and September 2009.

[Post meeting note: Revised HKSA 510, 700, 706 and 710 were circulated to AASC for endorsement on 7 July 2009.]

2326. The Adoption of ISA 800 and ISA 805

The SSD reported that the Chairman of FRSC was of the view that the AASC should adopt the two standards in Hong Kong. This was due to the additional guidance on “fair presentation framework” given in the clarified ISA 200 and it was reported that the larger UK audit firms would also implement

ISA 800 and ISA 805 because of their commitment to IFAC. The SSD proposed to adopt the two standards and include local guidance on what is a fair presentation framework.

The Committee was concerned about the impact of the adoption of these two standards on the compliance with the reporting requirements of local laws and regulations.

The Committee also suggested the SSD to research on the difference between the “true and fair view” opinion and “presents fairly” opinion, where both can be used for ISA 800 but only the latter is used for ISA 805. The Committee suggested that the need to seek help from legal counsel should be considered.

Furthermore, it was agreed that the Working Group on Types of Reporting should consider the implication of the adoption of ISA 800 and ISA 805 in relation to schools and other governmental bodies, working in consultation with major stakeholders in the public sector.

2327. Annual Auditing Update Conference 2009

The Committee considered the draft programme for the Conference as prepared by the SSD and suggested to replace the topic on HKSA 800 and HKSA 805 in view of the additional research work to be performed before its issuance. The Committee suggested to include the following topics:

- Audit of Fair Value Accounting Estimates in the Current Market Environment;
- The Logic of the IAASB Clarity Project and the Hierarchy of the Clarified Standards; and
- Highlights of clarified HKSA 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) and HKSA 710 Comparative Information—Corresponding Figures and Comparative Financial Statements.

Mr. William Crowe, Mr. Derek Broadley and Ms. Mabel Cheung of the Committee had volunteered as the speakers for the Conference.

There being no further business, the meeting closed at 9.45 am

KEITH POGSON
CHAIRMAN

27 July 2009