

**Circular on Reporting under Section 20 of the Product Eco-responsibility
(Regulated Articles) Regulation (Cap. 603C)**

Copyright © 2023 Hong Kong Institute of Certified Public Accountants

This Circular contains Hong Kong Institute of Certified Public Accountants (the “Institute”) copyright material. Reproduction in unaltered form (retaining this notice) is permitted for personal and noncommercial use subject to the inclusion of an acknowledgment of the source. Requests and inquiries concerning reproduction and rights for commercial purposes should be addressed to Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong.

This Circular is intended for general guidance. The Institute DOES NOT accept any responsibility or liability, and DISCLAIMS all responsibility and liability, in respect of the Circular and any consequences that may arise from any person acting or refraining from action as a result of any materials in the Circular.

A. Introduction

1. The Producer Responsibility Scheme on Glass Beverage Containers (the “GPRS”) will be implemented fully from 1 May 2023. It puts in place a system for the proper management and recycling of waste glass beverage containers generated in Hong Kong and applies to beverages that are pre-packaged in sealed glass containers, including glass beverage bottles, jars or containers in other form (hereafter referred to as “regulated articles” (“RAs”)).
2. The Product Eco-responsibility (Regulated Articles) Regulation (Cap. 603C)(“the Regulation”), made under section 55 of the Product Eco-responsibility Ordinance (Cap. 603) (“the Ordinance”), provides for the operational details of the GPRS.
3. Under the Ordinance, a supplier who distributes glass-bottled beverages in Hong Kong must first register with the Environmental Protection Department of The Government of the Hong Kong Special Administrative Region (“EPD”) as a registered supplier (“Registered Supplier”). Registered Suppliers must fulfil their statutory obligations, including but not limited to periodic submission of returns (“Returns”) to the EPD, keeping records and documents relating to the Returns, submission of annual audit reports and pay a container recycling levy for the RAs they distributed or consumed in Hong Kong.

4. The Regulation specifies two types of registration:
 - (a) An ordinary registration which remains valid unless cancelled by the EPD; and
 - (b) A short-term registration which lasts for 30 days and is intended for a supplier who may operate business of distributing RAs in Hong Kong occasionally for a short period of time and in limited scale (e.g., expo exhibitors from other places). To qualify for the short-term registration, the applicant must satisfy that his/her business of distributing RAs in Hong Kong would be likely to –
 - i) operate for a period of not more than 30 days; and
 - ii) give rise to a liability to pay an amount of container recycling levy not exceeding HK\$20,000¹.
5. Pursuant to section 52(1) and 52(2)(a) of the Ordinance, Registered Suppliers must periodically submit Returns to the EPD for determination of the amount of container recycling levy. Under section 11 of the Regulation,
 - For an ordinary registration, the first Return of the Registered Supplier covers the period beginning on the registration date (“Registration Date”) and ending on the first cut-off date specified in the “Certificate of Registration” (“Certificate”) issued by the EPD or the cancellation date of the registration (if it is cancelled); subsequent Returns must be submitted for each quarter ending on 31 March, 30 June, 30 September and 31 December or the cancellation date of the registration (if it is cancelled); and
 - for a short-term registration, a Return must cover the period beginning on the Registration Date and ending on the expiry date of the registration or the cancellation date of the registration (if it is cancelled).
6. Under section 13 of the Regulation, a Registered Supplier with an ordinary registration must submit a Return to the EPD within 28 days after the first cut-off date and thereafter the last day of the reporting periods falling on 31 March, 30 June, 30 September or 31 December, or the cancellation date of the registration (if it is cancelled). A short-term Registered Supplier is required to submit a Return within 28 days after the expiry date of the registration or the cancellation date of the registration (if it is cancelled), covering the entire term of the registration.

¹ An applicant for short-term registration may have previously obtained short-term registrations for the same registration year. There are provisions stipulating that the aggregate liability to pay the container recycling levies under all short-term registrations approved for the same registration year (i.e., that calendar year) will also be taken into account.

7. According to section 14 of the Regulation, a Registered Supplier is required to include the following details in the Return:
 - (a) the total litre volume of RAs that were distributed by the Registered Supplier in Hong Kong during the reporting period, with a breakdown of:
 - (i) the total litre volume of RAs that were manufactured by the supplier in Hong Kong; and
 - (ii) the total litre volume of RAs that were imported into Hong Kong by the supplier; and
 - (b) the total litre volume of RAs that were consumed by the Registered Supplier in Hong Kong during the reporting period, with a breakdown of:
 - (i) the total litre volume of RAs that were manufactured by the supplier in Hong Kong; and
 - (ii) the total litre volume of RAs that were imported into Hong Kong by the supplier.
8. Under section 53(1) of the Ordinance and section 18 of the Regulation, a Registered Supplier of an ordinary registration must submit an audit report to the EPD every year in respect of the Returns submitted. A short-term Registered Supplier must submit an audit report to the EPD covering the Return for the entire term of registration and the Returns for other approved short-term registrations in the same registration year (if any). The audit report must be prepared by a certified public accountant (practising) (hereafter “practitioner”) who must not be an employee of the Registered Supplier.
9. Section 20(1) of the Regulation requires the practitioner to state in an audit report whether, in the opinion of the practitioner and in relation to any Return covered by the report—
 - (a) the Registered Supplier had kept records and documents in compliance with section 52(4) of the Ordinance and section 15 of the Regulation;
 - (b) the Return was prepared on the basis of those records and documents; and
 - (c) the litre volumes of the RAs covered by the Return had been reported in accordance with the Ordinance.(the above are collectively referred to as “reporting requirements”).

10. Under sections 20(2) and 20(3) of the Regulation, if the practitioner identifies any discrepancy between a Return covered by the audit report and the records and documents kept for the Return in relation to any litre volume of RAs, the practitioner must set out the discrepancy in a specified form, i.e., the Discrepancy List (Applicable to Ordinary Registration) (RA-4a) or Discrepancy List (Applicable to Short-term Registration) (RA-4b). A copy of the discrepancy list must be attached to the audit report.
11. The purpose of this Circular is to provide guidance to practitioners when undertaking such engagements. This Circular has been prepared following discussions with the EPD on the relevant statutory requirements laid down in the Ordinance and the Regulation.

B. Reporting pursuant to section 20 of the Regulation

12. In response to the reporting requirements set out in section 20 of the Regulation, the Institute's Auditing and Assurance Standards Committee ("AASC") has determined that a reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and as set out in this Circular be generally suitable for these engagements.
13. As explained in HKSAE 3000 (Revised), in a reasonable assurance engagement, the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria. Reference should be made to HKSAE 3000 (Revised) for details of a reasonable assurance engagement.

Management's responsibilities

Keeping of proper records and documents

14. According to section 52(4) of the Ordinance, a Registered Supplier who submits a Return in respect of a period in a calendar year must keep the prescribed records and documents relating to the Return during the 5 years after that year.
15. According to section 15(2) of the Regulation, a Registered Supplier must keep records, invoices, receipts, delivery notes, inventory records or any other documents that contain sufficient details to enable the EPD to readily verify, in relation to each type of RA and the total litre volume of those RAs covered by a Return. Extract of section 15(2) of the Regulation is set out in Appendix 5 of this Circular.

16. The management of the Registered Supplier is responsible for ensuring that the practitioner has access, at all reasonable times, to all records, documents, books, and accounts and to such information and explanations that, in the practitioner's opinion, are necessary to conduct the engagement.
17. For the purposes of the engagement, the management of the Registered Supplier should prepare, for each Return submitted to the EPD covered by the audit report, with respect to each type of RA reported in the Return,
- (a) listings of the quantities of RAs by litre volume as required under section 14 of the Regulation, which the total litre volumes on the listings agree to those stated in the Return;
 - (b) a reconciliation between the opening and closing quantities of the Registered Supplier's RAs manufactured or imported into Hong Kong by litre volume, with movements showing RAs distributed or consumed in Hong Kong or exported out of Hong Kong by the Registered Supplier during the reporting period; and
 - (c) the Registered Supplier's accounting records, for example, the inventory record, which could be agreed to details in the listing in (a) and the reconciliation in (b) above.

Preparation and submission of Returns

18. The management of the Registered Supplier is responsible to prepare Returns and submit them to the EPD in accordance with paragraphs 5 to 7 of this Circular.
- A template of the Return for ordinary registration is available at: https://www.epd.gov.hk/epd/sites/default/files/epd/glass/registration/forms/RA2a_Submission_of_Return_Ordinary_Registration.pdf.
 - A template of the Return for short-term registration is available at: https://www.epd.gov.hk/epd/sites/default/files/epd/glass/registration/forms/RA2b_Submission_of_Return_Short-term_Registration.pdf.
19. The amount of container recycling levy payable by a Registered Supplier would be calculated based on the Return submitted to the EPD on the total litre volume of the RAs distributed or consumed by the Registered Supplier in Hong Kong. The container recycling levy is payable only once in respect of a RA. The consequential sellers along the supply chain are not required to register as a Registered Supplier and hence are not required to pay the levy.

20. The Ordinance specifies that a RA means a beverage product contained in a glass container, whether in the form of a bottle, jar or otherwise, and airtight and sealed by machine or with the aid of a tool. The Ordinance also specifies that beverage means a ready-to-serve drink, including alcoholic drink, water, milk, etc., and a product that is a liquid or consists of liquid and is commonly served as a drink after being diluted or reconstituted. Relevant interpretation extracted from the Ordinance is set out in Appendix 5 of this Circular.

21. The interpretation of “consume” and “distribute” as specified in section 47 of the Ordinance is extracted in Appendix 5 of this Circular.

Submission of audit report

22. Section 53(1) of the Ordinance and section 19 of the Regulation require the Registered Supplier to submit the audit report within three months:

- for an ordinary registration—after the last day of every audit year or the cancellation date of the registration (if it is cancelled); or
- for a short-term registration—after the expiry date of the registration or the cancellation date of the registration (if it is cancelled).

For an ordinary registration, an audit year refers to:

- (a) the period beginning on the Registration Date and ending on the first annual audit date or the cancellation date of the registration (if it is cancelled); or
- (b) each subsequent period ending on an annual audit date specified for the registration or the cancellation date of the registration (if it is cancelled).

The annual audit date refers to the date specified in the Certificate issued by the EPD to the Registered Supplier pursuant to section 7(1) of the Regulation.

23. Unless exempted by the EPD in writing under section 21 of the Regulation², a Registered Supplier’s failure to submit the audit report within the specific timeframe is an offence

² Under section 21 of the Regulation, a Registered Supplier may apply to the EPD in writing for exemption from submitting an audit report if:

- for an ordinary registration in a particular audit year, the EPD is satisfied that the aggregate amount of levies payable for the reporting periods falling within the relevant audit year does not exceed HK\$20,000; or
- for a short-term registration, the EPD is satisfied that (i) the amount of levy payable for the registration does not exceed HK\$20,000; and (ii) if the applicant has already had one or more than one short-term registration approved for the same registration year, the aggregate amount of levies payable for all of the applicant’s short-term registrations approved for that year does not exceed HK\$20,000.

The application must be made within 1 month after: (a) for an ordinary registration, the last day of the relevant audit year or the cancellation date of the registration (if it is cancelled); or (b) for a short-term registration, the expiry day of the registration or cancellation date of the registration (if it is cancelled).

liable to a fine under section 53(3) of the Ordinance.

Practitioner's responsibilities

24. The practitioner is responsible for reporting pursuant to section 20 of the Regulation when he/she is engaged to do so. The responsibility of the practitioner is to report on the reporting requirements set out in paragraphs 8 to 10 of this Circular.
25. When conducting an engagement following the guidance in this Circular, the practitioner conducts a reasonable assurance engagement in accordance with HKSAE 3000 (Revised).
26. The practitioner should comply with the requirements of the Institute's *Code of Ethics for Professional Accountants*.
27. The practitioner should agree the terms of the engagement with the Registered Supplier. To avoid misunderstanding, the agreed terms should be recorded in an engagement letter or other suitable form of contract. General guidance on engagement letters is set out in paragraphs 27 to 29 and A57 to A59 of HKSAE 3000 (Revised).
28. The practitioner should obtain an understanding of the Registered Supplier's internal controls over the keeping of records and documents in relation to the litre volume of the RAs reported in the Returns and the preparation of the Returns.
29. The practitioner should plan and perform the engagement with an attitude of professional skepticism recognising that circumstances may exist that the reporting requirements have not been complied with and the litre volume of the RAs reported in the Returns were materially misstated (for example, due to fraud or error).
30. It is the responsibility of the Registered Supplier to identify those items which are considered as RAs in accordance with the Ordinance and the Regulation and include their total litre volumes in the Returns. While it is not necessary for the practitioner to scrutinise all the items being distributed or consumed by the Registered Supplier which have not been included as RAs in the Returns and ascertain whether they meet the definition of RAs, if in the course of the practitioner's work on this engagement, the practitioner becomes aware of any items which might be considered as RAs but their litre volumes have not been included in the Returns, the practitioner is to make enquiry with the Registered Supplier and advise the Registered Supplier to seek clarification from the EPD. The practitioner should consider whether the clarification from the EPD would impact the audit report. If the clarification from the EPD is not yet available prior to the date of the audit report, the practitioner may consider:

- (a) whether it is necessary to include an Other Matter paragraph³ in the audit report that the litre volumes to certain items of the Registered Supplier not included in the Returns might be considered as RAs, but the clarification from the EPD was pending at the date of the audit report and the practitioner does not provide an opinion on such items; or
- (b) if the possible effects to the Returns are both material and pervasive, whether the matter would constitute a limitation on the scope of the engagement and any modification to the practitioner's opinion is required.

31. Due to the limitation of the Registered Supplier's internal controls, the practitioner may be unable to obtain sufficient appropriate evidence that the total litre volumes of the RAs reported by the Registered Supplier in the Returns were completely identified, recorded and reported in the Returns. The audit report would include a paragraph explaining these difficulties, the restricted scope of the practitioner's work, and that the practitioner would not be able to determine whether the records and documents of the Registered Supplier include all transactions relating to the litre volumes of RAs to be stated in the Returns. Instead, the practitioner's work covers those items that have been recorded in the Registered Supplier's books and records.

32. Notwithstanding the limitations encountered by practitioners mentioned in paragraph 31, the practitioner should be alert for specific circumstances arousing suspicion that there has been a deliberate omission of items from the Returns or circumstances suggesting misappropriation of RAs. Where such circumstances arise, the practitioner should consider the impact on the audit report and the need to raise those matters with the Registered Supplier's management and/or those charged with governance.

33. A reasonable assurance engagement under HKSAE 3000 (Revised) reports whether the subject matter information is free from material misstatement. Paragraphs 44, A92 to A100 of HKSAE 3000 (Revised) provides guidance on the practitioner's application of materiality in a reasonable assurance engagement. The practitioner determines the nature, timing and extent of procedures to be carried out and carries out those procedures to ensure sufficient appropriate evidence is obtained on which to base the conclusions, and document matters which are important to provide evidence to support that conclusion. A list of illustrative procedures for reporting on the Returns is set out in Appendix 1 of this Circular.

³ Paragraphs 68 and 73 of HKSAE 3000 (Revised) provide guidance on communicating other matter in the audit report.

34. A Registered Supplier may submit one or more than one Return to the EPD in an audit year (for ordinary registration) or in the same registration year (for short-term registration). The practitioner should obtain sufficient appropriate evidence on each Return covered by the audit report.
35. If the practitioner identifies any discrepancy between a Return covered by the audit report and the records and documents kept for the Return in relation to any litre volume of RAs, the practitioner must set out the discrepancy in the discrepancy list specified by the EPD. Section 20(3) of the Regulation requires the Registered Supplier to attach the discrepancy list with the audit report for submission to the EPD. Appendix 4 of this Circular provides additional guidance when the practitioner reports the identified discrepancies using the EPD's specified form.
36. Section 20(2) of the Regulation does not provide for immaterial discrepancies or reclassification misstatements to be disregarded. Accordingly, the practitioner qualifies its opinion where a discrepancy or reclassification misstatement is identified in the Returns regardless of materiality, and report them in the discrepancy list.
37. If any discrepancy is identified in the Returns and reported by the practitioner, the EPD would adjust the amount of levy payable by the Registered Supplier in the levy payable for subsequent Return(s).
38. Other than the circumstances set out in paragraph 36, if anything is discovered which indicates that the reporting requirements were not complied with by the Registered Supplier, the practitioner should modify the audit report according to paragraph 69(l)(v) of HKSAE 3000 (Revised) together with an explanation of the basis of modification. Examples of illustrative modified wording for the report by the practitioner are included in Appendix 3.
39. Paragraph 78 of HKSAE 3000 (Revised) requires the practitioner to consider whether any matter has come to the attention of the practitioner that is to be communicated to those charged with governance. Accordingly, the practitioner should consider reporting the exceptions noted from the procedures performed to those charged with governance.
40. The practitioner would seek management's confirmation of the accuracy and completeness of information contained in the Returns. This may be achieved either by way of a written confirmation from management or as a written representation from management included in the management representation letter in relation to the engagement. General guidance on management's representations is set out in paragraphs 56 to 60 and A137 to A140 of HKSAE 3000 (Revised).

Appendix 1

Illustrative Procedures for Reporting on Section 20 of the Regulation

The practitioner should conduct the engagement in accordance with HKSAE 3000 (Revised) and determine the nature, timing and extent of procedures so as to ensure sufficient appropriate evidence is obtained on which to base the conclusions, and document matters which are important to provide evidence to support that conclusion.

The nature and extent of procedures to be carried out for the purposes of reporting on compliance by a Registered Supplier with the reporting requirements are determined by the practitioner's professional judgment in each individual case. The list given in this appendix is not exhaustive, nor is it intended that all the procedures suggested apply to every reporting engagement.

Scoping and planning

- Obtain the Certificate issued by the EPD under section 7(1) of the Regulation which includes information such as:
 - the date on which the registration becomes effective;
 - for an ordinary registration,
 - (a) the annual audit date for the registration;
 - (b) the first cut-off date for the registration which must fall on 31 March, 30 June, 30 September or 31 December; and
 - for short-term registration, the date on which the registration expired.
- Understand whether and when the Registered Supplier is required to submit an annual audit report to the EPD under section 53 of the Ordinance and obtain the specific Returns to be reported on. An audit report must cover a Return if the reporting period of the Return falls within the relevant audit year (for ordinary registration) or the Returns submitted for all short-term registrations approved for the same registration year (for short-term registration). A Registered Supplier may apply to the EPD in writing for

exemption from submitting an audit report⁴.

- Undertake acceptance/continuance of client relationships and assurance engagement procedures under HKSAA 3000 (Revised) and conclude on the acceptance/continuance of the engagement.

a. Execution

A Registered Supplier may submit one or more than one Return to the EPD in an audit year (for ordinary registration) or in the same registration year (for short-term registration). The practitioner should obtain sufficient appropriate evidence on each Return covered by the audit report to achieve the following objectives:

- Objective 1: Establish whether the Registered Supplier kept records and documents that contain sufficient details to support the litre volumes of the RAs reported in the Returns;
- Objective 2: Establish whether the Return was prepared on the basis of the Registered Supplier's records and documents;
- Objective 3: Establish whether the litre volumes of the RAs covered by the Return had been properly reported in accordance with the Ordinance; and
- Objective 4: With respect to a Return submitted for a period in a calendar year, establish whether the Registered Supplier has kept the records and documents relating to that submitted Return during the 5 years after that year under section 52(4) of the Ordinance.

⁴ Under section 21 of the Regulation, a Registered Supplier may apply to the EPD in writing for exemption from submitting an audit report if:

- for an ordinary registration in a particular audit year, the EPD is satisfied that the aggregate amount of levies payable for the reporting periods falling within the relevant audit year does not exceed HK\$20,000; or
- for a short-term registration, the EPD is satisfied that (i) the amount of levy payable for the registration does not exceed HK\$20,000; and (ii) if the applicant has already had one or more than one short-term registration approved for the same registration year, the aggregate amount of levies payable for all of the applicant's short-term registrations approved for that year does not exceed HK\$20,000.

The application must be made within 1 month after: (a) for an ordinary registration, the last day of the relevant audit year or the cancellation date of the registration (if it is cancelled); or (b) for a short-term registration, the expiry day of the registration or the cancellation date of the registration (if it is cancelled).

| | Illustrative procedures | Objectives |
|---|---|------------|
| 1 | <p>(a) For each reporting period covered by each Return, obtain, for each type of RA reported in the Return,</p> <ol style="list-style-type: none"> i. listings of the quantities of RAs by litre volume as required under sections 14 of the Regulation, which the total litre volumes on the listings agree to those stated in the Return; ii. a reconciliation between the opening and closing quantities of the Registered Supplier's RAs manufactured or imported into Hong Kong by litre volume, with movements showing RAs distributed or consumed in Hong Kong or exported out of Hong Kong by the Registered Supplier during the reporting period; and iii. the Registered Supplier's accounting records, for example, the inventory record, which could be agreed to details in the listing in (i) and the reconciliation in (ii). <p>(b) For each listing obtained in 1(a)(i),</p> <ul style="list-style-type: none"> • re-compute the total litre volume based on the number of RAs on the list; and • agree the computed total to the corresponding total litre volume stated in the Return. <p>(c) For each reconciliation obtained in 1(a)(ii),</p> <ul style="list-style-type: none"> • agree the opening/ closing quantities of RAs by litre volume to the corresponding closing/ opening quantities of RAs by litre volume of the reconciliation in the prior/ subsequent period; and • agree the movements of the reconciliation to the corresponding listing obtained in 1(a)(i). <p>The above procedures assist the practitioner to evaluate if any RAs were omitted from reporting in the Returns.</p> | 1, 2 |

| | Illustrative procedures | Objectives |
|---|---|------------|
| 2 | Design procedures to test the listings and reconciliations obtained in 1(a)(i) and (ii) to supporting documents, for example, agree their details to the corresponding invoices, receipts, delivery notes, inventory record of the Registered Supplier or other relevant documents, and consider whether those RAs were properly reported and classified in the Return(s). | 1, 2, 3 |
| 3 | To the extent not covered by other procedures, agree the litre volumes of RAs reported in the Return to the underlying records and documents. | 2 |
| 4 | (a) Understand and evaluate the Registered Supplier's internal controls in relation to the keeping of records and documents in litre volume of each type of RAs specified in the Return(s). (b) Perform test on internal controls implemented by the Registered Supplier if applicable, for example, where the practitioner considers those internal controls relevant to assess the Registered Supplier's keeping of records and documents that contain sufficient details to support the litre volumes of RAs reported in the Returns. | 1 |
| 5 | (a) Understand and evaluate management's process and internal controls in compiling the Returns on the basis of the Registered Supplier's records and documents. (b) Perform test on internal controls implemented by the Registered Supplier if applicable, for example, where the practitioner considers those internal controls relevant to assess the Registered Supplier's preparation and reporting on the litre volumes of RAs in the Returns. | 2 |
| 6 | (a) Understand and evaluate the registered supplier's policies and procedures in identifying a RA (as against a non-RA) in accordance with the Ordinance and Regulation for reporting in the Returns. This assists the practitioner to assess whether: <ul style="list-style-type: none"> • RAs were properly classified in the Returns; and | 3 |

| | Illustrative procedures | Objectives |
|---|---|------------|
| | <ul style="list-style-type: none"> any items within the meaning of the RAs were not reported in the Returns. <p>(b) Perform tests on internal controls implemented by the Registered Supplier if applicable, for example, where the practitioner considers those internal controls relevant to assess whether each Return has been prepared in accordance with the Ordinance and Regulation.</p> | |
| 7 | <p>(a) Understand and evaluate management's process and internal controls in keeping the records and documents relating to a submitted Return.</p> <p>(b) Obtain from the Registered Supplier the Returns submitted during the 5 years preceding the calendar year of the current engagement.</p> <p>(c) Inspect the underlying records and documents in relation to the Returns obtained in 7(b).</p> | 4 |
| 8 | Consider whether the results of procedures performed in relation to an objective would have implications to other objectives. | 1, 2, 3, 4 |
| 9 | If the practitioner's opinion on a Return(s) in the prior reporting period was modified, consider the relevant implication to the Returns in the current reporting periods. | 3 |

b. *Reporting*

- Obtain the reason from management for the discrepancies or exceptions identified. Consider whether additional audit evidence is needed, for example, by extending the sample size and assessing its implication to the audit report.

Appendix 2

Example of an Unmodified Assurance Report on the Registered Supplier' Returns in respect of RAs

The following example is for use as a guide only and will need to be tailored according to individual requirements and circumstances.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the *[Management][Directors] of ABC Limited

Pursuant to section 53(1) of Product Eco-responsibility Ordinance (Cap. 603) (the "Ordinance"), we have been engaged to perform a reasonable assurance engagement on the accompanying Registered Supplier's Returns (the "Returns") of ABC Limited (the "Company" or "Registered Supplier") in respect of regulated articles ("RAs") as defined in the Ordinance for the period from [date] to [date], [date] to [date], [date] to [date] and [date] to [date]⁵ (the "reporting period").

***[Management's] [Directors'] Responsibilities**

The *[Management] [Directors] *[is][are] responsible for preparing the accompanying Returns in accordance with section 14 of the Product Eco-responsibility (Regulated Articles) Regulation (Cap. 603C) (the "Regulation") on:

- (a) the total litre volume of those articles that were distributed by the Registered Supplier in Hong Kong during the reporting period, with a breakdown of—
 - (i) the total litre volume of those articles that were manufactured by the supplier in Hong Kong as defined in the Ordinance; and
 - (ii) the total litre volume of those articles that were imported by the supplier as defined in the Ordinance; and
- (b) the total litre volume of those articles that were consumed by the Registered Supplier in Hong Kong during the reporting period, with a breakdown of—
 - (i) the total litre volume of those articles that were manufactured by the supplier in Hong Kong as defined in the Ordinance; and

⁵ To specify the period of each Return covered by the report.

- (ii) the total litre volume of those articles that were imported by the supplier as defined in the Ordinance.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Return[s] so that **[it][they]* reflect[s] the total litre volume of RAs as defined in section 14 of the Regulation that were distributed or consumed by the Registered Supplier in Hong Kong during the reporting period and **[is][are]* free from material misstatement, whether due to fraud or error. The **[Management][Directors]* **[is][are]* also responsible for keeping the prescribed records and documents relating to the Return[s] in accordance with section 52(4) of the Ordinance and section 15 of the Regulation during the reporting period.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1⁶, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner’s Responsibility

Our responsibility, pursuant to section 20 of the Regulation, is to report whether, in all material respects:

- (a) the Registered Supplier had kept records and documents in compliance with section 52(4) of the Ordinance and section 15 of the Regulation during the reporting period;
- (b) Return[s] **[was][were]* prepared on the basis of those records and documents; and
- (c) the litre volume[s] of the RAs covered by the Return[s] had been reported in accordance with the Ordinance

(the above are collectively referred to as “reporting requirements”).

⁶ HKSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Company has complied with the reporting requirements. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Return[s]. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Return[s], but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our work consisted of making inquiries, primarily of persons responsible for financial and accounting matters⁷, examining, on a test basis, evidence supporting as to whether, in all material respects, the Company has kept records and documents in accordance with section 52(4) of the Ordinance and section 15 of the Regulation, and that the Return[s] *[has][have] been prepared in accordance with those records and documents and the total litre volume[s] of the RAs reported in the Return[s] [has][have] been reported in accordance with the Ordinance.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent Limitations

It was not practicable for us to determine whether the Return[s] and the books and records of the Company included all RAs manufactured and/or imported into Hong Kong by the Company, or all RAs as referred to in section 14 of the Regulation that were distributed or consumed by the Company in Hong Kong or exported out of Hong Kong by the Company during the reporting period. Accordingly, our report relates solely to the Return[s] prepared from the transactions that have been recorded in the Company's books and records in relation to the Return[s]. Also, internal control measures at the Company designed to address specific control objectives are subject to inherent limitations of any internal control structure, and accordingly, errors or irregularities may occur in processing or reporting the Return[s] and not be detected.

⁷ Practitioners may consider it appropriate to tailor here to whom they make inquiries, for example, persons responsible for the RA matters.

Opinion

Based on the foregoing, in our opinion, in all material respects:

1. the Registered Supplier had kept records and documents in compliance with section 52(4) of the Ordinance and section 15 of the Regulation during the reporting period;
2. the Return[s] *[was][were] prepared on the basis of those records and documents; and
3. the total litre volume[s] of the RAs covered by the Return[s] had been reported in accordance with the Ordinance.

Other Matter - Basis of Preparation

We draw attention to the fact that the Company has stated the total litre volume[s] of the RAs in the Return[s] based on the dates for which the relevant *[RAs were delivered / sales were recognised using a basis consistent with the Company's accounting policies for revenue recognition]⁸. As a result, the Return[s] may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Intended Users and Purpose

This report is intended solely for the purpose of assisting the Company to satisfy the conditions pursuant to section 53 of the Ordinance and Subdivision 3 under Division 3 of Part 2 of the Regulation in connection with the Audit Reports, and is not to be used for any other purpose or to be distributed to any other parties, except that we agree that a copy of this report may be provided to the Director of the Environmental Protection Department of The Government of the Hong Kong Special Administrative Region without further comment from us. We expressly disclaim any liability or duty to any other party for the content in this report. This report relates only to the items specified above and does not necessarily extend to any financial statements of the Company taken as a whole.

[Name of firm]

[* Certified Public Accountants (Practising)/Certified Public Accountants]

[Practitioner's Address]

Hong Kong

[Date]

* Delete as appropriate

⁸ Set out the basis that the litre volume of the RAs were reported in the Returns.

Appendix 3

Example of a Modified Assurance Report on the Registered Supplier' Returns in respect of the litre volumes of the RAs

If any breaches of the reporting requirements are noted by the practitioner, the wording of the report by the practitioner would be modified. The practitioner should determine the type of modification that is appropriate to the circumstances of the engagement. In the circumstances where the practitioner expresses a qualified opinion, adverse opinion or a disclaimer of opinion, the audit report is to be modified accordingly as required in paragraph 69(I)(v) of HKSAE 3000 (Revised). Further guidance is set out in paragraphs 74 to 77, A183, A189 to A192 of HKSAE 3000 (Revised).

The following illustrations are examples that might give rise to modified reports are for guidance only. They are not intended to be exhaustive or applicable to all situations. They are based on the illustration of the independent practitioner's assurance report in Appendix 2.

Examples of issues:

- (i) The Registered Supplier met the reporting requirements to keep the records and documents, but not for the whole reporting period.
- (ii) The Returns did not agree to the Company's records and documents, for example, the practitioner has identified discrepancies between the litre volumes of the RAs reported in the Returns and the underlying records and documents, or the litre volumes of the RAs were omitted from reporting in the Returns.

Illustrative qualified opinion:

1. Qualified Opinion

Basis for Qualified Opinion

- Based on the information and explanations supplied to us we are aware that the Registered Supplier has not maintained records and documents in accordance with section 52(4) of the Ordinance and section 15 of the Regulation during the period from [date] to [date]. [*Describe details of the non-compliance.*] [It is not practicable for us to quantify the impact of this on the Returns for the reporting period. / The discrepancies are set out in the appendix to this report.]

- The Return[s] from [date] to [date] did not agree to the Company's records and documents. [The discrepancies are set out in the appendix to this report.]

Qualified Opinion

Based on the foregoing, in our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, in all material respects:

- (a) the Company has kept records and documents in compliance with section 52(4) of the Ordinance and section 15 of the Regulation during the reporting period;
- (b) the Return[s] *[has][have] been prepared on the basis of those records and documents; and
- (c) the litre volume[s] of the RAs covered by the Return[s] *[has][have] been reported in accordance with the Ordinance.

2. Adverse Opinion

Where the practitioner has identified exceptions to the Company's keeping of records and documents, preparation of Returns and discrepancies between the total litre volumes of the RAs reported in the Returns and the underlying records and documents, and in the practitioner's professional judgement, the effect of the matter(s) is/are so material and pervasive as to require an adverse conclusion.

Basis for Adverse Opinion

- [Describe matters giving rise to the adverse opinion.]

Adverse Opinion

Based on the foregoing, due to the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report,

- (a) the Company has not kept records and documents in compliance with section 52(4) of the Ordinance and section 15 of the Regulation during the reporting period;
- (b) the Return[s] from [date] to [date] *[has][have] not been prepared on the basis of those records and documents; and

- (c) *[specify the category with identified misstatement, e.g., The litre volumes of the RAs consumed in Hong Kong during the reporting period and manufactured in Hong Kong labelled B1]* covered by the Return[s] *[has][have] not been reported in accordance with the Ordinance.

Appendix 4

Reporting Identified Discrepancies in the Specified Form

1. According to section 31 of the Regulation, the Director of the EPD may specify any forms required for the purposes of the Ordinance. Under section 32(1) of the Regulation, a specified form may require that:
 - (a) it be completed in a specified way;
 - (b) specified information or documents be included in or attached to it; and
 - (c) it be submitted in a specified way.
2. For the purposes of the Ordinance and Regulation, one of the forms specified by the EPD is the discrepancy list set out as follows:
 - For ordinary registration:
https://www.epd.gov.hk/epd/sites/default/files/epd/glass/registration/forms/RA4a_Discrepancy_list_Ordinary_Registration.pdf
 - For short-term registration:
https://www.epd.gov.hk/epd/sites/default/files/epd/glass/registration/forms/RA4b_Discrepancy_list_Short-term_Registration.pdf
3. Pursuant to section 20(2) of the Regulation, if there are any discrepancies between a Return covered by the audit report and the records and documents kept for the Return as mentioned in section 20(1)(a) in relation to any litre volume of RAs, the practitioner must set out the discrepancy in a document in the specified form, which is the discrepancy list.
4. Section 20(3) of the Regulation requires the Registered Supplier to attach the discrepancy list with the audit report for submission to the EPD. In general, the practitioner would state the identified discrepancies as an appendix to the audit report, rather than reporting them separately.

Appendix 5

Extract of the Ordinance and Regulation

This appendix provides a summary of the requirements on the Registered Suppliers' preparation of the Returns and maintenance of proper books and records in respect of the litre volumes of the RAs as required by the Ordinance and Regulation. Members should refer to the Ordinance and Regulation for the complete requirements.

Cap. 603 Product Eco-responsibility Ordinance

Part 1 Preliminary

3. Interpretation

(1) In this Ordinance, unless the context otherwise requires—

regulated article (受規管物品) means an article constituted by—

(a) a product specified in column 2 of Part 2 of Schedule 8; and

(b) a container that is—

(i) specified in column 3 of that Part opposite to the product and containing that product; and

(ii) airtight and sealed by machine or with the aid of a tool.

Part 5 Regulated Articles Division 1—Interpretation

47. Interpretation of Part 5

In this Part—

consume (耗用), in relation to a regulated article, means—

(a) open the container that constitutes the article for the first time after the container is sealed; or

(b) abandon the article;

distribute (分發), in relation to a regulated article, means—

(a) sell the article;

(b) exchange or dispose of the article for consideration; or

(c) give the article to another person as a prize or gift,

but does not include any such act done with a view that the article is to be exported in the course of business;

Division 3—Obligations of Registered Suppliers

...

52. Registered supplier must submit returns

- (1) A registered supplier must, in accordance with the Regulated Articles Regulation, periodically submit returns to the Director.
- (2) On receiving a return, the Director must—
 - (a) determine the amount of container recycling levy payable under section 51 by the registered supplier; and
 - (b) serve a payment notice on the supplier.
- (3) A registered supplier must, within the prescribed period after the date the payment notice is served, pay to the Director in the prescribed manner the container recycling levy payable under section 51 stated in the payment notice.
- (4) A registered supplier who submits a return in respect of a period in a calendar year must keep the prescribed records and documents relating to the return during the 5 years after that year.

.....

- (9) In subsections (3) and (4)—
prescribed (訂明) means prescribed by the Regulated Articles Regulation.

...

Schedule 8

Regulated Articles to which this Ordinance Applies

Part 1

Interpretation

1. Interpretation

In this Schedule— beverage (飲料) means—

- (a) a ready-to-serve drink, including—
 - (i) alcoholic drink;
 - (ii) water (carbonated or non-carbonated) or water-based flavoured drink (carbonated or non-carbonated);
 - (iii) milk or dairy-based drink;
 - (iv) soybean-based drink;
 - (v) fruit or vegetable juice or nectar;
 - (vi) coffee, coffee substitute, tea or herbal infusion; and
 - (vii) cereal grain drink; or
- (b) a product that—
 - (i) is a liquid or consists of liquid; and

- (ii) is commonly served as a drink after being diluted or reconstituted.

Part 2 Regulated Articles

| Column 1 Item | Column 2 Product | Column 3 Container |
|------------------|---------------------|---|
| 1. | Beverage | Glass container, whether in the form of a bottle, jar or otherwise. |

Cap. 603C Product Eco-responsibility (Regulated Articles) Regulation

Part 1 Preliminary

...

3. Litre volume of regulated article

- (1) In this Regulation, a reference to litre volume of a regulated article is a reference to litre volume of the product contained in the container.
- (2) For the purposes of this Regulation, an indication on the container of a regulated article of the litre volume of the product contained in it is evidence of the litre volume of the product unless the contrary is proved.
- (3) In this section—
container (容器), in relation to a regulated article, means the container that constitutes the article as mentioned in paragraph (b) of the definition of regulated article in section 3(1) of the Ordinance;
product (產品), in relation to a regulated article, means the product that constitutes the article as mentioned in paragraph (a) of the definition of regulated article in section 3(1) of the Ordinance.

...

Part 2 Matters Related to Registered Suppliers

Division 3 – Obligations and Related Matters

Subdivision 1 – Returns

10. Form of returns

A return must be submitted in the specified form.

11. Coverage of returns

- (1) A return submitted for an ordinary registration must cover—
 - (a) for the first return—the period beginning on the registration date and ending on the first cut-off date; or
 - (b) for a further return—each quarter ending on 31 March, 30 June, 30 September or 31 December.
- (2) A return submitted for a short-term registration must cover the period beginning on the registration date and ending on the expiry date.
- (3) However—
 - (a) if the registration is cancelled during the period mentioned in subsection (1)(a), the reference to “first cut-off date” in that subsection is to be construed as a reference to “cancellation date”;
 - (b) if the registration is cancelled during a quarter mentioned in subsection (1)(b), that quarter is deemed to end on the cancellation date; and
 - (c) if the registration is cancelled during the period mentioned in subsection (2), the reference to “expiry date” in that subsection is to be construed as a reference to “cancellation date”.

12. Meaning of *reporting period*

In this Regulation—

reporting period (申報期)—

- (a) in relation to a return submitted in accordance with section 11(1)(a), means the period mentioned in that section, as modified by section 11(3)(a) if applicable;
- (b) in relation to a return submitted in accordance with section 11(1)(b), means the quarter mentioned in that section, as modified by section 11(3)(b) if applicable; or
- (c) in relation to a return submitted in accordance with section 11(2), means the period mentioned in that section, as modified by section 11(3)(c) if applicable.

13. Timing of returns

Subject to section 35(1), a return must be submitted within 28 days after the last day of every reporting period.

14. Content of returns

A return covering a reporting period must contain, in relation to each type of regulated article—

- (a) the total litre volume of those articles that were distributed by the registered supplier in Hong Kong during the reporting period, with a breakdown of—
 - (i) the total litre volume of those articles that were manufactured by the supplier in Hong Kong; and
 - (ii) the total litre volume of those articles that were imported by the supplier; and
- (b) the total litre volume of those articles that were consumed by the registered supplier in Hong Kong during the reporting period, with a breakdown of—
 - (i) the total litre volume of those articles that were manufactured by the supplier in Hong Kong; and
 - (ii) the total litre volume of those articles that were imported by the supplier.

Subdivision 2 – Records and Documents Relating to Returns

15. Record keeping

- (1) This section applies to the keeping of records and documents under section 52(4) of the Ordinance.
- (2) A registered supplier must keep records, invoices, receipts, delivery notes, inventory records or any other documents that contain sufficient details to enable the Director to readily verify, in relation to each type of regulated article covered by a return—
 - (a) the total litre volume of those articles that were manufactured in Hong Kong, imported into Hong Kong or otherwise acquired by the supplier in Hong Kong during the reporting period; and
 - (b) the total litre volume of those articles that were distributed or consumed in Hong Kong, or exported out of Hong Kong, by the supplier during the reporting period.