



Auditing and Assurance Standards Committee
Meeting Summary – April 2007

The Auditing and Assurance Standards Committee (Committee) met on 24 April 2007.

Members present at the meeting were: Carlson Tong (Chairman), Keith Pogson (Deputy Chairman), Wilfred Wong (Deputy Chairman), Deborah Annells, Chan Tak Shing, Colin Chau (represented by Olivia Cheung), Charles Chow, William Crowe, Richard George, Barry Ip, Law Fung Ha, Lucia Li and Thomas Wong.

Secretariat staff present at the meeting were: Patricia McBride, Steve Ong, Elaine Chan, Selene Ho and Winnie Chan.

The following agenda items were discussed:

1. Draft Submissions on IAASB EDs of ISA 230 (Redrafted) *Audit Documentation*, ISA 560 (Redrafted) *Subsequent Events*, ISA 610 (Redrafted) *The Auditor's Consideration of the Internal Audit Function* and ISA 720 (Redrafted) *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*
2. HKICPA Invitation to Comment on IAASB Exposure Drafts of Proposed ISA 540 (Revised and Redrafted) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* and proposed ISA 580 (Revised and Redrafted) *Written Representations*
3. IAASB advice on Auditors' Reports on Special Purpose Audit Engagements
4. HKSA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* and HKSA 701 *Modifications to the Independent Auditor's Report*
5. Proposed Working Group to consider the Reporting on General Charitable Fundraising Activities (Other than Flag Selling)
6. Companies (Revision of Accounts and Reports) Regulation
7. FSTB Consultation Paper on the Rewrite of the Accounting and Auditing Provision of the Companies Ordinance
8. Accountant's Report Project – Progress Report
9. IAASB Strategy Review Forum in Brussels

1. **Draft Submissions on IAASB EDs of ISA 230 (Redrafted) *Audit Documentation*, ISA 560 (Redrafted) *Subsequent Events*, ISA 610 (Redrafted) *The Auditor's Consideration of the Internal Audit Function* and ISA 720 (Redrafted) *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements***

The Committee considered the Institute's draft submissions to the IAASB prepared by the secretariat based on the key points of the comment letters received and suggested certain editorial changes for ISA 560 and ISA 720. The secretariat was requested to revise the draft submissions for ISA 560 and ISA 720 incorporating the Committee's comments.

The Institute's submissions were forwarded to the IAASB on 30 April and can be viewed at: <http://www.hkicpa.org.hk/professionaltechnical/assurance/submission.php>.

2. **HKICPA Invitation to Comment on IAASB Exposure Drafts of Proposed ISA 540 (Revised and Redrafted) Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures and proposed ISA 580 (Revised and Redrafted) Written Representations**

A Committee member raised a comment on the proposed ISA 580 which requires that the auditor shall disclaim an opinion on the financial statements in the case where the relevant parties do not provide the general written representations about the premises, relating to management's responsibilities, on which an audit is conducted or that auditor concludes that such general written representations are unreliable.

The Committee deliberated on the matter and agreed that, given International Standards on Auditing are principles-based standards, auditors should have the discretion to exercise professional judgment as to whether or not to issue a disclaimer on the financial statements rather than that the auditor shall disclaim an opinion on the financial statements. It was proposed that a suggestion be made to the IAASB to change the wording of that particular sentence to "shall consider whether to issue a disclaimer of opinion based on the auditor's professional judgment of the circumstances surrounding the audit." The secretariat was requested to include the suggestion in the draft submission to the IAASB.

The Institute's submissions were forwarded to the IAASB on 17 May and can be viewed at:

<http://www.hkicpa.org.hk/index.php?mainLocation=/professionaltechnical/assurance/submission/submission.php>.

3. **IAASB advice on Auditors' Reports on Special Purpose Audit Engagements**

The Committee noted that the IAASB had in early April 2007 issued an advice on ISA 800 *Auditors' Reports on Special Purpose Audit Engagements*. The purpose of the communication is to advise auditors that reports for special purpose audit engagements can, with appropriate amendments, be issued in the form of the illustrative report as that shown in the revised ISA 700, *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* (adopted in Hong Kong as HKSA 700 of the same name).

The Committee noted that the advice is in line with the approach adopted by the Committee in the local guidance provided in HKSA 700.

4. **HKSA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* and HKSA 701 *Modifications to the Independent Auditor's Report***

The Committee noted that a suggested amendment was received from a Council member that a comma be inserted in all the example reports of HKSA 700 and HKSA 701 under *Directors' responsibility for the financial statements*, as follows:

"The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance."

The Committee considered the matter and agreed that whilst the suggestion is acceptable, it would not warrant an amendment to the Members' Handbook.

5. Proposed Working Group to consider the Reporting on General Charitable Fundraising Activities (Other than Flag Selling)

The Committee noted that the secretariat had received an email from the Social Welfare Department (SWD) requesting the Institute to consider whether it would be appropriate for fund raising activities under Public Subscription Permits (currently requiring a full scope audit) to be reported under HKSAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, under a limited review engagement.

The Committee discussed the matter and agreed to take up the proposal of the SWD.

The Committee agreed that a Working Group should be formed to consider how to take the project forward and the expected time frame of completion.

The Working Group met the SWD on 14 May to discuss the proposed reporting on Public Subscriptions Permits.

6. Companies (Revision of Accounts and Reports) Regulation

The Committee noted that the Regulation is effective from 20 April 2007 which introduced a new regime for company directors to voluntarily revise accounts where it appears to the directors that the original accounts did not comply with the Companies Ordinance. Furthermore, it was noted that the Regulation is necessary to implement the new "revision of accounts" regime to permit the newly-established Financial Reporting Council to discharge one of its key functions. This is to enquire into the non-compliance of listed companies' accounts with the relevant statutory and non-statutory requirements. There is also a requirement for an audit report to be made on the revised accounts.

7. FSTB Consultation Paper on the Rewrite of the Accounting and Auditing Provision of the Companies Ordinance

The Committee noted that the Financial Services and the Treasury Bureau (FSTB) issued the Consultation Paper in March 2007 for public consultation until 29 June 2007. It was noted that this is the first series of public consultations on the rewrite of the Companies Ordinance which aims to make Hong Kong's company law more user-friendly and provide Hong Kong with a modernized legal infrastructure commensurate with its status as a major international business and financial centre.

Committee members were requested to consider the Consultation Paper and provide their comments, if any, to the secretariat by 31 May 2007 so that a HKICPA submission can be prepared for Council's approval at its June meeting and the final submission should be submitted to the FSTB by 29 June 2007.

8. Accountant's Report Project – Progress Report

The Committee noted the Joint Working Group between the HKICPA/SFC/SEHK met on 16 April 2007. It was noted that there were broad agreements on the key principles of the project. It was reported that the three parties agreed that a joint consultation paper should be developed to set out the proposed changes to the Listing Rules and the key issues arising from the proposed Hong Kong Standard on Investment Circular Reporting Engagements.

9. IAASB Strategy Review Forum in Brussels

The Committee noted that a Deputy Chairman of the Committee would be representing the Institute at the IAASB Strategy Review Forum in Brussels on 28 June 2007. Committee members were requested to forward to the secretariat any matters that they consider should be brought up to the attention of IAASB.

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