



Auditing and Assurance Standards Committee
Meeting Summary – November 2007

The Auditing and Assurance Standards Committee (Committee) met on 20 November 2007.

Members present at the meeting were: Carlson Tong (Chairman), Keith Pogson (Deputy Chairman), Wilfred Wong (Deputy Chairman), Deborah Annells, Chan Tak Shing, Patrick Cheng, William Crowe, Richard George, Charles Grieve, Barry Ip, Lucia Li, Kelvin Wong 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 submission to the IAASB Consultation Paper on Proposed Strategy for 2009-2011
2. Draft submissions to the IAASB Exposure Drafts on ISA 700 (Redrafted) *The Independent Auditor's Report on General Purpose Financial Statement*, ISA 705 (Revised and Redrafted) *Modifications to the Opinion in the Independent Auditor's Report*, ISA 706 (Revised and Redrafted) *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report*, ISA 800 (Revised and Redrafted) *Special Considerations – Audit of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 805 (Revised and Redrafted) *Engagements to Report on Summary Financial Statements*
3. Proposed Circular on Reporting on General Charitable Fund-raising Activities Covered by Public Subscriptions Permits issued by the Social Welfare Department (Other than Flag Days)
4. Continuing Connected Transactions Project – Progress Report
5. HKICPA Exposure Draft on Revised Practice Note 820 *The Audit of Licensed Corporations and Associated Entities*
6. Final Notes for Auditor and Candidate issued by Registration and Electoral Office
7. Annual Auditing Update Conference for 2007 – Update report

1. **Draft submission to the IAASB Consultation Paper on Proposed Strategy for 2009-2011**

The Committee considered the Institute's draft submission to the IAASB prepared by the secretariat and requested the draft submission be revised for some late comments.

The Institute's submission was forwarded to the IAASB on 10 December 2007 and can be viewed at:

http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/CP_strategy_2009-2011.pdf

2. **Draft submissions to the IAASB Exposure Drafts on ISA 700 (Redrafted) *The Independent Auditor's Report on General Purpose Financial Statement*, ISA 705 (Revised and Redrafted) *Modifications to the Opinion in the Independent Auditor's Report*, ISA 706 (Revised and Redrafted) *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report*, ISA 800 (Revised and Redrafted) *Special Considerations – Audit of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 805 (Revised and Redrafted) *Engagements to Report on Summary Financial Statements***

The Committee considered and endorsed the Institute's draft submissions on ISA 705 and ISA 706 to the IAASB prepared by the secretariat.

The Committee requested revision to the Institute's draft submissions on ISA 700, ISA 800 and ISA 706 prepared by the secretariat to include certain comments raised at the meeting.

The Institute's submissions on ISA 705 and ISA 706 were forwarded to the IAASB on 3 December 2007. Submissions on ISA 700, ISA 800 and ISA 805 were forwarded to the IAASB on 10 December 2007.

The Institute's submissions can be viewed at:

<http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/ISA700.pdf>

<http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/ISA705.pdf>

<http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/ISA706.pdf>

<http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/ISA800.pdf>

<http://www.hkicpa.org.hk/professionaltechnical/assurance/submission/docs/ISA805.pdf>

3. **Proposed Circular on Reporting on General Charitable Fund-raising Activities Covered by Public Subscriptions Permits issued by the Social Welfare Department (Other than Flag Days)**

The Committee considered and endorsed the revised Circular subject to certain suggested amendments and noted that the proposed Circular is a stop-gap solution to address an urgent issue to be published in December 2007 for providing guidance to auditors. The HKICPA Practice Note 850 *Review of Flag Day Accounts* would be revised and revamped (in 2008) to cover all related/relevant flag day/charitable fund raising activities and would then go through the due process of consultation as an Exposure Draft.

The Social Welfare Department agreed with the Institute's proposed Circular and the final Circular was released on the Institute's website on 3 December 2007 and can be viewed at:

http://www.hkicpa.org.hk/professionaltechnical/assurance/rm/GCFA_0711.pdf

4. **Continuing Connected Transactions Project – Progress Report**

The Committee noted the progress made on the project and endorsed the approach proposed by the Working Group, including the following key action plans:

- To seek clarification from SEHK on certain issues:
 - Underlying spirit/objective behind the rules
 - The meaning of “pricing policy”
 - Application of rules to State Owned Enterprises
 - Views on materiality where there are deviations between pricing policy and transaction prices
- To research whether there are similar issues in other major jurisdictions
- To develop a Practice Note.

5. HKICPA Exposure Draft on Revised Practice Note 820 *The Audit of Licensed Corporations and Associated Entities*

The Committee considered and endorsed the revised proposed draft of PN 820 for release as an Exposure Draft for consultation period of 3 months.

The Exposure Draft can be viewed at:

http://www.hkicpa.org.hk/professionaltechnical/assurance/exposedraft/2007/ED_Practice_Note_820.pdf

6. Final Notes for Auditor and Candidate issued by Registration and Electoral Office

The Committee noted that the Registration and Electoral Office had finalized and issued the final Notes for auditor and candidate for the Legislative Council Election Financial Assistance Scheme and the District Council Election Financial Assistance Scheme.

7. Annual Auditing Update Conference for 2007 – Update report

The Committee noted the Annual Auditing Update Conference for 2007 entitled “Recent Developments in Auditing – where are we?” held on 3 November 2007 was well attended by over 600 members.

Copyright 2007 The Hong Kong Institute of Certified Public Accountants. All rights reserved.

Permission is granted to make copies of this Meeting Summary provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated, and provided further that each copy bears the following credit line: “Copyright by the Hong Kong Institute of Certified Public Accountants. All rights reserved. Used by permission”. Otherwise, written permission from the Hong Kong Institute of Certified Public Accountants is required to reproduce, store or transmit this document, except as permitted by law.

Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee’s deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.