

HONG KONG SOCIETY OF ACCOUNTANTS
Auditing and Assurance Standards Committee
Meeting summary – April 2004

The HKSA Auditing and Assurance Standards Committee (Committee) met on 27 April 2004.

Members present at the meeting were: Carlson Tong (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), Patrick Cheng, William Crowe, Lucia Li, Man Mo Leung, Phyllis Mo, Paul F. Winkelmann, Thomas Wong and Lesley Yeung.

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

The following agenda items were discussed:

1. Mapping Exercise of HKSASs with ISAs
2. Financial Assistance Scheme – Draft Notes for Auditors of Candidates of Legislative Council Elections
3. Exposure Draft of Proposed Professional Pronouncement under the Accountants’ Report Project
4. Proposed withdrawal of SSAP 27 “Accounting for group reconstructions”
5. Working Group on Mainland Audit Issues – progress report
6. Listing Rule requirement regarding scrutineer when a poll is called for at a general meeting
7. Listing Rule amendments on pro forma financial information

1. Mapping Exercise of HKSASs with ISAs

The Committee considered the first batch of the results of the Mapping of HKSASs with ISAs and agreed on the following broad principles:

- the IAASB Pronouncements should be adopted verbatim, unless in very exceptional cases such as local legal requirements, where modifications may be made; and
- the ISA paragraphs on “Public Sector Perspective” previously not adopted in the extant HKSASs should be adopted in the proposed revised HKSASs, to the extent that they are generic and are not inappropriate.

It was agreed that a register should be maintained by the secretariat to record all modifications made to the IAASB Pronouncements when they are adopted in Hong Kong and the reasons for such modifications.

2. Financial Assistance Scheme – Draft Notes for Auditors of Candidates of Legislative Council Elections

The Committee considered the draft Notes for Auditors prepared by the Registration and Electoral Office (REO) to be used as guidance for auditors in auditing the election returns prepared by the candidates and expressed concern over the prescribed “audit” requirement. It was agreed that further discussion with the REO would be required to agree on a suitable framework (such as requiring the REO to issue guidance to election candidates on the obligations to establish proper internal controls in relation to record keeping) in order that auditor would be able to carry out a high level assurance engagement.

3. Exposure Draft of Proposed Professional Pronouncements under the Accountants’ Report Project

The Committee ratified the issuance of the [Exposure Draft](#) and agreed that in the letter enclosing the Exposure Draft to investment banks for comments, the HKSA should draw to their attention that under the new proposed framework, investment banks would need to be a party to the engagement letter in order to be an addressee of accountants’ reports.

Comments on the Exposure Draft have been requested by 14 August 2004.

4. **Proposed withdrawal of SSAP 27 “Accounting for group reconstructions”**

The Committee supported a member’s views on the withdrawal of SSAP 27 and agreed that the withdrawal of SSAP 27 should preferably take place at the same time as the introduction of the proposed new Hong Kong Statement of Investment Circular Reporting Standards.

5. **Working Group on Mainland Audit Issues – progress report**

The Committee noted that the [Q & As](#) on value-added tax had been published, and that the next Q&As would be on “Revenue recognition for the information technology industry on the Mainland” to be scheduled for publication in the third quarter of 2004.

6. **Listing Rule requirement regarding scrutineer when a poll is called for at a general meeting**

The Committee noted that the HKSA Council had directed the Committee to consider providing guidance to practising members on the new requirement in the Listing Rules regarding scrutineer when a poll is called for at a general meeting. It was agreed that the Committee should study specific available guidance in this area before developing the Hong Kong guidance.

7. **Listing Rule amendments on pro forma financial information**

The Committee considered a referral from a member firm which stated that it was their experience that the SEHK had required them as the reporting accountants to report on the Statement of Adjusted Net Tangible Assets included in prospectuses.

Research conducted by Committee members revealed that the UK Listing Rules do not require the inclusion of a Statement of Adjusted Net Tangible Assets in prospectuses or other listing documents. Where such information is included, the UK Listing Rules require that it is to be reported on by the reporting accountants and the reporting accountants would follow UK APB Auditing Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules”.

It was noted that two members had conducted their work in accordance with the UK guidance. It was considered that the reporting requirements and the standards to be followed by the reporting accountants should be discussed with the SEHK.

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