

## **HONG KONG SOCIETY OF ACCOUNTANTS**

### **Auditing and Assurance Standards Committee** **Meeting summary – April 2003**

The Society's Auditing and Assurance Standards Committee (Committee) met on 29 April 2003.

Members present at the meeting were: Wong Tak Wai, Alvin (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), Deborah Annells, Albert Au, Andrew Bennett, Patrick Cheng, Kim Chong, William Crowe, Charles Grieve, Raymond Li, Man Mo Leung, Phyllis Mo, Shum Man To, Paul F. Winkelmann and Desmond Yuen.

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

The agenda items were:

1. Welcome to new member
2. Minutes of March 2003 (245<sup>th</sup>) Meeting
3. Meeting summary
4. Matters arising
5. Invitation to Comment on IAASB's Exposure Drafts of Assurance Engagements and Proposed Amendments to IAPS 1005 "The Special Considerations in the Audit of Small Entities"
6. FASC's referral on auditors' reports on financial statements
7. Handbook restructure
8. Issues Paper on the adoption of the International Auditing Practice Statements
9. Revised statement of auditors' responsibility in audit report
10. Submission from a member practice on Exposure Draft "Engagement to report on compliance with the Billing and Metering Integrity Scheme of OFTA"
11. Draft proposed PN "The audit of licensed corporations and associated entities of intermediaries"
12. Accountants' Report Project
13. Proposal for a PN on the review of lottery accounts
14. Proposed series of publications on China matters
15. Draft revised FATF 40 Recommendations
16. Date of Next Meeting

#### **1. Welcome to new member**

The Chairman welcomed Deborah Annells (nominee of the Hong Kong General Chamber of Commerce) to her first meeting of the Committee.

#### **2. Minutes of March 2003 (245<sup>th</sup>) Meeting**

The Committee endorsed the Minutes.

#### **3. Meeting summary**

The Committee discussed and agreed that a Meeting Summary for each Committee meeting should be prepared for publication in the HKSA's Technical Newsletter "TechWatch" and on the HKSA's website.

**4. Matters arising**

a. Work Plan for 2003

The Committee noted that its Work Plan for 2003 had been approved by Council.

b. HKSA's submission on IAASB's Audit Risk Exposure Drafts

The Committee noted that the HKSA's submission was sent to the IAASB on 9 April 2003 after its approval by Council.

**5. Invitation to Comment on IAASB's Exposure Drafts of Assurance Engagements and Proposed Amendments to IAPS 1005 "The Special Considerations in the Audit of Small Entities"**

The Committee ratified the issuance of the Invitation to Comment which had previously been endorsed by the Committee by circulation.

**6. FASC's referral on auditors' reports on financial statements**

The Committee agreed to consider further the referral from the FASC in respect of the proposed amendments to SAS 600 "Auditors' reports on financial statements" as a result of the HKSA Exposure Draft of Proposed Preface to Hong Kong Financial Reporting Standards and Accounting Guidelines.

**7. Handbook restructure**

The Committee agreed that it would not be necessary to form a sub-committee to take up the project and that the secretariat should take charge of the project.

**8. Issues Paper on the adoption of the International Auditing Practice Statements**

The Committee considered the following IAPSs and agreed on their dispositions as follows:

- IAPSs 1000, 1001, 1002, 1003, 1012 and 1013 would be adopted verbatim as Practice Notes;
- IAPS 1005 would be put on hold pending its current revision by the IAASB;
- IAPSs 1004 and 1006 would be adopted as part of the Expert Panel on Banking's project of the development of proposed PN on the audit of authorized institutions;
- IAPS 1008 would not be adopted given that it would be withdrawn by the IAASB as part of the Audit Risk project in October 2003; and
- IAPS 1009 would be adopted verbatim as a PN to replace Auditing Guideline 3.262 "Computer-assisted audit techniques (CAATs)".

The secretariat was requested to prepare an issues paper on the adoption of IAPSs 1010 and 1014 for the Committee's consideration.

**9. Revised statement of auditors' responsibility in audit report**

The Committee considered and agreed on a proposed revised statement of auditors' responsibility in audit reports, and requested the secretariat to submit the proposal to Counsel for review.

The Committee noted that as Accountants' Reports are governed by section 40 of the Companies Ordinance, they fall outside the scope of this project.

A Committee Member requested that legal advice should be obtained in relation to the position of the auditors where they are requested by their clients for permission to include the audited financial statements in Circulars to Shareholders (e.g. Circulars on major transactions) and the audit report contains a revised statement of auditors' responsibility.

**10. Submission from a member practice on Exposure Draft "Engagement to report on compliance with the Billing and Metering Integrity Scheme of OFTA"**

The Committee considered the submission from a member practice and agreed to amend the proposed PN to take into account certain editorial changes recommended by the member practice. It was agreed that the proposed PN as revised should be submitted to Council for approval for issuance as a final PN.

**11. Draft proposed PN "The audit of licensed corporations and associated entities of intermediaries"**

The Committee considered the draft proposed PN which was developed by the Expert Panel on Securities and noted that there are certain outstanding issues which require clarification with the SFC. The Committee endorsed the submission of the proposed PN to Council for approval for issuance as an Exposure Draft for a consultation period of 3 months.

**12. Accountants' Report Project**

One Committee Member pointed out, and the Committee noted, a potential implication concerning independence arising from the proposed new framework, under which the directors would be responsible for the preparation of the historical financial information for inclusion in investment circulars and the reporting accountants would be responsible for reporting on the historical financial information as prepared by the directors.

It was agreed that Members of the Committee should review the draft proposed statements prepared by the Accountants' Report Task Force and forward their comments, if any, to the secretariat.

**13. Proposal for a PN on the review of lottery accounts**

It was agreed that the reporting requirements of the Television and Entertainment Licensing Authority should be dealt with in a separate Practice Note.

**14. Proposed series of publications on China matters**

The Committee agreed to give a mandate to the Chairman for him to discuss with the Chairman of the Mainland Affairs Committee as to how the project of developing a series of publications on China matters should be handled.

**15. Draft revised FATF 40 Recommendations**

The Committee agreed that its previous comments as reflected in the HKSA Submission dated 30 September 2002 were still valid and had no further comments on the proposals.

**16. Date of Next Meeting**

The Committee's next scheduled meeting date is 20 May 2003.

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**This meeting summary is 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.**