

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

The HKSA Auditing and Assurance Standards Committee (Committee) met on 24 February 2004.

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

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

The following agenda items were discussed:

1. Meeting schedule for the rest of 2004
2. Proposed Work Plan for 2004
3. Proposed revised Terms of Reference
4. Adoption of the revised ISA 800 “The Independent Auditor’s Report on Special Purpose Audit Engagements”
5. Proposed PN 1014 “Reporting by Auditors on Compliance with International Financial Reporting Standards”
6. Proposed General Guidance 1.307 “Production of audit working papers to the SFC under section 179 of the SFO”
7. Proposed example report by auditors on Form HKL1 “Hong Kong Long Term Insurance Business – Revenue Account”
8. PN 840 – “The audit of solicitors’ accounts under the Solicitors’ Accounts Rules and the Accountant’s Report Rules” – proposed amendments to paragraph 19(b)
9. Working Group on Mainland Audit Issues – progress report

1. **Meeting schedule for the rest of 2004**

The Committee approved the meeting schedule for the rest of the year.

2. **Proposed Work Plan for 2004**

The Committee endorsed the Work Plan for 2004. A key project is to achieve full convergence of the HKSA Auditing and Assurance Pronouncements with the IAASB Pronouncements by adopting their new structure, title, numbering and rubric.

3. **Proposed revised Terms of Reference**

The Committee endorsed the proposed revision to the Terms of Reference adopting the more generic terms of the IAASB Pronouncements and Hong Kong Auditing and Assurance Standards and Guidelines. The revised Terms of Reference can be accessed at:

<http://www.hksa.org.hk/professionaltechnical/committees/AASC.pdf> .

4. **Adoption of the revised ISA 800 “The Independent Auditor’s Report on Special Purpose Audit Engagements”**

The Committee considered whether it would be appropriate to adopt the existing ISA 800 now or wait until the conclusion of the IAASB deliberation on whether it would be appropriate for auditors to express a “true and fair view” opinion on non-GAAP special purpose financial information. It was agreed that the matter should be included as part of the project to converge fully with IAASB Pronouncements, given that the IAASB would only be considering the above at its September 2004 meeting with a proposed timeline to issue an Exposure Draft in June 2005 and a final statement in March 2006.

5. **Proposed PN 1014 “Reporting by Auditors on Compliance with International Financial Reporting Standards”**

The Committee noted that the Society did not receive any comment letter on the Exposure Draft upon the expiration of the exposure period but agreed that the finalization of the PN should be put on hold, pending the future revision to SAS 600 to converge with the proposed revised ISA 700.

6. **Proposed General Guidance 1.307 “Production of audit working papers to the SFC under section 179 of the SFO”**

The Committee considered a comment letter received from a member firm on the Exposure Draft and agreed that no change should be made to the proposed General Guidance.

[Post meeting note: The proposed GG 1.307 was approved by Council at its March 2004 meeting. The final GG can be accessed at the Society’s website at:

<http://www.hksa.org.hk/professionaltechnical/whatsnew/docs/gg1.307.pdf>]

7. **Proposed example report by auditors on Form HKL1 “Hong Kong Long Term Insurance Business – Revenue Account”**

The Committee considered the draft example report prepared in response to a new reporting requirement under the Insurance Companies Ordinance and considered that suitable criteria should be set out given that the reporting engagement is to be performed under the Standards on Assurance Engagements framework. The secretariat was requested to revise the draft example report accordingly before presenting it to the Insurance Authority for comments.

8. **PN 840 – “The audit of solicitors’ accounts under the Solicitors’ Accounts Rules and the Accountant’s Report Rules” – proposed amendments to paragraph 19(b)**

The Committee endorsed the submission of the draft revision to the Law Society for comments which reflected both the interpretations of the Law Society applicable up to and after 13 August 2003 obtained by the HKSA.

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

The Committee considered the draft Questions and Answers on valued-added tax (VAT) prepared by the Working Group and suggested that further guidance should be included on the proper registration process as a VAT taxpayer and the approval process for the actual payment of a VAT claim.

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