

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

The HKSA Auditing and Assurance Standards Committee (Committee) met on 9 July 2004.

Members present at the meeting were: Carlson Tong (Chairman), Richard George (Deputy Chairman), Deborah Annells, William Crowe, Charles Grieve, Paul Hebditch, 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. IAASB Pronouncements Convergence Project
2. Proposed new Auditing Pronouncements on Assurance Framework and Standards on Other Assurance Engagements, Quality Control and Fraud
3. Referral from the HKSA GAAP for Small Businesses Working Group – Proposed audit report for entities applying the Small GAAP Financial Reporting Standard
4. Proposed Guidance when acting as scrutineer at a general meeting of a listed issuer

1. IAASB Pronouncements Convergence Project

The Committee considered the action plan of the IAASB Pronouncements Convergence Project prepared by the secretariat and agreed that it would involve issuing in the next few months by the Society a number of new and revised Auditing and Assurance Pronouncements which include:

- (i) An Exposure Draft of proposed new “Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services” to replace SAS 010 “The scope and authority of auditing pronouncements”. Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services would include:
 - ✓ Hong Kong Engagement Standards replacing the extant Statements of Auditing Standards and Standards on Assurance Engagements. Hong Kong Engagement Standards would include:
 - Hong Kong Standards on Auditing (HKSAAs) which are to be applied in the audit of historical financial information
 - Hong Kong Standards on Review Engagements (HKSREs) which are to be applied in the review of historical financial information
 - Hong Kong Standards on Investment Circular Reporting Engagements (HKSIRs) which are the proposed new IPO Engagement Standards currently under exposure
 - Hong Kong Standards on Assurance Engagements (HKSAEs) which are to be applied in assurance engagements dealing with subject matters other than audits or reviews of historical financial information
 - Hong Kong Standards on Related Services (HKSRSs) which are to be applied to compilation engagements, engagements to apply agreed-upon procedures and other related services engagements.
 - ✓ Hong Kong Standards on Quality Control (HKSQCs) – a new series of quality control standards for practitioners to apply for all services falling under Hong Kong Engagement Standards.
 - ✓ Hong Kong Framework for Assurance Engagements – the new assurance framework for HKSAAs, HKSREs, HKSIRs and HKSAEs.
- (ii) 5 new and revised local Auditing and Assurance Pronouncements adopting the equivalent new and revised IAASB Pronouncements:
 - ✓ Hong Kong Framework for Assurance Engagements replacing SAE 100

- ✓ HKSAE 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” replacing SAE 200
- ✓ HKSQC 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”
- ✓ HKSA 220 “Quality Control for Audits of Historical Financial Information” replacing SAS 240
- ✓ HKSA 240 “Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements” replacing SAS 110.

[Due process](#) was followed in developing these Standards including [issuing Invitations to Comment and making Submissions to the IAASB](#).

(iii) 25 HKSAs to replace SASs 100, 120, 130, 140, 150, 160, 200, 220, 315, 330, 401, 402, 410, 420, 421, 430, 440, 450, 460, 480, 500, 500A, 520, and 610.

(iv) 1 HKSRE to replace SAS 700.

(v) 2 HKSRSs to replace SASs 710 and 720.

(vi) An Exposure Draft of proposed new HKSA 800 “The Auditor’s Report on Special Purpose Audit Engagements”.

In relation to (iii), (iv) and (v) above, the mapping exercise recently completed by the Committee revealed that the re-issuance of these standards as HKSAs, HKSRE and HKSRSs would not involve substantial changes.

ISA 700 “The Auditor’s Report on Financial Statements” should be adopted to replace SAS 600 “Auditors’ report on financial statements” unless further information to be obtained from the IAASB confirms that a revised ISA 700 would be issued in the near future.

SAS 230 “Documentation” and SAS 510 “Principal auditors and other auditors” would be monitored to see if their revisions should be put on hold pending the completion of the IAASB revision projects on the equivalent ISAs 230 and 600.

2. Proposed new Auditing Pronouncements on Assurance Framework and Standards on Other Assurance Engagements, Quality Control and Fraud

The Committee considered in detail the 5 proposed new and revised local Auditing and Assurance Pronouncements adopting the equivalent new and revised IAASB Pronouncements, as referred to in 1(ii) above. Subject to certain modifications for local requirements and additional local guidance, the secretariat was requested to finalize the 5 proposed new and revised local Auditing and Assurance Pronouncements for Council’s approval. The proposed Pronouncements were referred back to the Committee for further consideration.

3. Referral from the HKSA GAAP for Small Businesses Working Group – Proposed audit report for entities applying the Small GAAP Financial Reporting Standard

The Committee considered the referral and agreed that the consideration of the recommended wording of the said audit report at this stage was pre-mature and should be deferred until the conclusion of the Consultation Paper and the conclusion of the recently released IASB Discussion Paper “Preliminary Views on Accounting Standards for Small and Medium Sized Entities”. It was also agreed that any proposal by the Committee should follow the international trend to be adopted by IASB.

4. Proposed Guidance when acting as scrutineer at a general meeting of a listed issuer

The Committee considered the information gathered by the secretariat in relation to guidance when acting as scrutineer where a poll is called for at a general meeting of a listed company. The Committee agreed that the internal guidance developed by a member firm should form the basis of the proposed PN on the subject.

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