

Joint Declaration of the China Auditing Standards Board and the Hong Kong Institute of Certified Public Accountants on the converged China Auditing Standards and Hong Kong Auditing Standards

Annex II

Mechanism for ongoing maintenance of convergence

The China Auditing Standards Board (CASB) and the Hong Kong Institute of Certified Public Accountants (Hong Kong Institute of CPAs) are committed to upholding high quality International Standards on Auditing (ISAs) and acknowledge that convergence is an ongoing process. Both sides expressed their intention to converge with ISAs on an ongoing basis and to undertake continuous monitoring of convergence. Both sides also expressed their intention to maintain close communication and cooperation in respect of their work on convergence with ISAs. This Annex sets out the mechanism for ongoing maintenance of convergence as referred to in paragraph 2 of the Joint Declaration.

PART I – Due process to be followed by the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs will take the following steps in keeping the CASB fully informed of the issuance of new or revised HKAuSs:

1. Upon issuance of a new Invitation to Comment on an International Auditing and Assurance Standards Board (IAASB) Exposure Draft of a proposed ISA, the Hong Kong Institute of CPAs will provide the CASB with a copy of the Invitation to Comment.
2. Upon issuance of a submission on an IAASB Exposure Draft of a proposed ISA, the Hong Kong Institute of CPAs will provide the CASB with a copy of the Hong Kong Institute of CPAs' submission.
3. Upon raising any technical issue with the IAASB, the Hong Kong Institute of CPAs will provide the CASB with a copy of the technical issue.
4. Upon adoption of a new or revised ISA as a new or revised HKAuS by the Hong Kong Institute of CPAs, the Hong Kong Institute of CPAs will provide the CASB

with a copy of the new or revised HKAuS. The new or revised HKAuS will for all intents and purposes be identical to the equivalent ISA.

PART II – Due process to be followed by the CASB

The CASB will take the following steps in keeping the Hong Kong Institute of CPAs fully informed of the issuance of new or revised CAuSs:

1. In developing a new CAuS, the CASB will take into account all requirements of ISAs.
2. In developing a new or revised CAuS, the CASB will keep track of a mapping of the new or revised CAuS and the corresponding ISA, including the identified differences between the new or revised CAuS and the corresponding ISA, if any, and an assessment of the possible effect of the identified differences on engagements including audits of financial statements. The CASB will provide the Hong Kong Institute of CPAs with a copy of the mapping and impact assessment.
3. Upon issuance of a new Exposure Draft of a proposed CAuS, the CASB will provide the Hong Kong Institute of CPAs with a copy of the Exposure Draft. Upon issuance of a new or revised CAuS, the CASB will provide the Hong Kong Institute of CPAs with a copy of the new or revised CAuS.
4. Upon receipt of a new or revised HKAuS which is adopted from a new or revised ISA from the Hong Kong Institute of CPAs, the CASB will provide feedback to the Hong Kong Institute of CPAs as to whether and when the ISA will be adopted as a CAuS.
5. Upon issuance of a submission on an IAASB Exposure Draft of a proposed ISA, the CASB will provide the Hong Kong Institute of CPAs with a copy of the CASB's submission.
6. Upon raising any technical issue with the IAASB, the CASB will provide the Hong Kong Institute of CPAs with a copy of the technical issue.

6 December 2007