

Comments on the Proposed Amendments to Hong Kong Standard on Auditing (“HKSA”) 700 (Revised), Forming an Opinion and Reporting on Financial Statements and Proposed Conforming and Consequential Amendments to Other HKSAs and Other Non-authoritative Materials

- Para 15 states some reports issued by a CPA, which are prepared in accordance with standards other than HKSA 700 (revised), are not subject to mandatory disclosure under current proposal given that they are not governed by the Companies Ordinance. However, such arrangement may violate the spirit of the proposed changes to this HKSA. The parties receiving those reports should have concerns about bogus accountant as well. For example, assurance report issued for the review of statutory returns to be submitted to the Insurance Authority (IA) is prepared in accordance with HKSAE 3000, but this is not subject to such mandatory disclosure. In this case, the IA should concern about the same as stated in the explanatory memorandum, such as the trustworthy and credibility of the audit profession and competence and integrity of individuals conducting the audit. Could HKICPA further elaborate the rationale behind why these reports are specifically excluded from the current proposal?
- The purpose of this amendment is to avoid bogus accountant signing audit report. However, in para 7(b), the requirement to indicate PC number of CPA in tax return only apply to “Hong Kong incorporated company”. Does the scope enough to cover entities chargeable to HK profits tax? Per Cap 112 Section 14 and DIPN 21, entities incorporated outside HK are still subject to Hong Kong Profits Tax, where certain criteria fulfils. As such, the scope of this requirement should be “Entities chargeable to Hong Kong Profits Tax”, instead of “Hong Kong incorporated company”.

Remarks: The above are comments from one member insurer.

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