



Minutes of the 309th Meeting of the Auditing and Assurance Standards Committee held on Tuesday, 22 June 2010 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Jack Chow (Chairman)
Mr. Derek Broadley
Mr. Colin Chau
Ms. Mabel Cheung
Mr. Alun Grassick
Ms. Grace Ma
Mr. Paul Phenix
Mr. Charlix Wong
Mr. Chris Joy, Executive Director
Mr. Steve Ong, Director (Standard Setting)
Ms. Selene Ho, Assistant Director (Standard Setting)
Ms. Phoebe To, Manager (Standard Setting)

Apologies for absence were received from Mr. Keith Pogson and Mr. Stephen Chan.

Council
Action

2378. Minutes of the 308th Meeting

The minutes of the 308th meeting were approved by the Committee and signed by the Chairman.

2379. AASC Work Plan 2010 – Status Report

The Committee considered the status report of the Work Plan for 2010 and noted the progress made on the various projects. The Committee suggested including the expected completion dates of the projects in progress.

2380. Clarified HKSA 505 External Confirmations

The Committee noted that the local guidance in Appendix 2 "Standard Bank Confirmation Request Form" to HKSA 505 had been updated and agreed between the Working Group (formed under the Committee) and the Hong Kong Association of Banks. The Committee had no further comments.

The Committee agreed to move the additional local guidance on bank confirmation requests in the extant HKSA 505 to Appendix 1 of the proposed clarified HKSA 505. The Committee requested the Standard Setting Department (SSD) to re-consider the suggested additional local guidance to ensure that the wordings of the guidance is consistent with the language used in the clarified standards.

The Committee endorsed the clarified HKSA 505 for issuance, subject to the request.

[Post Meeting Note: The clarified HKSA 505 was issued on 30 June 2010 under Members' Handbook Update 88:
http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update088.pdf after the approval by the Committee by circulation.]

2381. Revisions to HKSA 210 Agreeing the Terms of Audit Engagement

It was reported that it was brought to the attention of the SSD before the meeting by a Committee member that the example engagement letter in the clarified HKSA 210 already issued was not consistent with the wordings in the example engagement letter in ISA 210 on certain requirements such as

- (i) obtaining the agreement of management that it acknowledges and understands its responsibility:
 - For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
 - For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
 - To provide the auditor with unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.
- (ii) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.

The Committee noted that the example engagement letter in the issued clarified HKSA 210 was based on the previous version of HKSA 210 which was locally developed and agreed to the recommendation made by the Committee member. The SSD was requested to update the example engagement letter to reflect the new recommendation which better reflects the requirements in the clarified HKSA/ISA 210, for the Committee's consideration at its next meeting.

2382. Revised HKSIR 400 Comfort Letters and Due Diligence Meetings on Financial and Non-financial Information

The Committee noted that the HKSIR 400 was revised by the Drafting Team of the Accountants' Report Sub-Committee (WG).

The Committee considered the revised HKSIR 400 and suggested to extend the exposure period for comments from one month to two months. The Committee also suggested to update the effective date for the revised HKSIR 400 and provided several other comments for the WG's consideration.

2383. Annual Auditing Update Conference 2010 (AAU)

The Committee considered and endorsed the revised draft programme for the Annual Auditing Update Conference to be held on 25 September 2010.

2384. Matters arising from the Companies Ordinance Rewrite Consultation (the Consultation)

The Committee considered the preliminary comments prepared by the SSD on the significant changes of the Consultation and provided additional comments for consideration by the Institute.

The Committee is requested to further consider the comments on the significant changes when preparing their individual firms' submission.

2385. Accounting Application Issue

A Committee member reported that the Financial Reporting Standards Committee (FRSC) discussed an accounting application issue raised by members related to classification of bank loans. Certain FRSC members offered to look for more information on whether the matter is also prevailing in other countries. The FRSC proposed that a meeting should be set up with the Hong Kong Association of Banks.

The Committee noted the above and requested the SSD to monitor the situation and keep the Committee posted of developments.

There being no further business, the meeting closed at 9.40 am.

JACK CHOW
CHAIRMAN

30 June 2010