



Minutes of the 327th meeting of the Auditing and Assurance Standards Committee held on Tuesday, 17 July 2012 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. Dennis Ho (Chairman)
Mr. Derek Broadley (Deputy Chairman) (Dial-in)
Ms. Mabel Cheung
Mr. Ringo Chiu
Mr. John Chong
Mr. Jonathan Lai
Mr. Anthony Leung
Ms. Grace Ma
Mr. Steve Ong
Mr. Paul Phenix
Mr. Thomas Wong
Ms. Joyce Woo

In attendance: Ms. Selene Ho, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Dr. Phyllis Mo, Mr. Ian Parker, Mr. Gary Poon and Mr. Charlix Wong.

Action

2516. Minutes of the 326th Meeting

The minutes of the 326th meeting were approved by the Committee and signed by the Chairman.

2517. AASC Work Plan 2012 – Status Report

The Committee considered the status report of the Work Plan for 2012 and noted the progress made on the various projects.

The Committee noted the issuance of the Members' Update 118 on 6 July 2012 which is available at: http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update118.pdf covering the issuance of the "Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements", HKSA 315 (Revised) "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment", HKSA 610 (Revised) "Using the Work of Internal Auditors", HKSRS 4410 (Revised) "Compilation Engagements" and HKAPG 1000 "Special Considerations in Auditing Financial Instruments".

2518. ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements"

The Committee noted the issuance of ISAE 3410 by the IAASB which is available at: <http://www.ifac.org/news-events/2012-06/iaasb-releases->

[new-global-standard-assurance-greenhouse-gas-statements.](#)

SSD

The Committee approved the adoption of ISAE 3410 as HKSAE 3410. The Committee members were invited to provide any comments to the Standard Setting Department (SSD) on the adoption.

2519. Legislative Council Election Financial Assistance Scheme - Notes for Candidate and Independent Auditor of Candidate of Legislative Council Elections (July 2012) (the Notes)

The Committee noted that the Notes were finalized by the Registration and Electoral Office on 5 July 2012 and were posted on the HKICPA's website at:

[http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/example-reports/.](http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/example-reports/)

2520. Annual Auditing Update Conference 2012 (AAU)

The Committee considered the draft programme for the AAU prepared by the SSD according to the suggested topics at last meeting which include:

- IAASB Invitation to Comment: "Improving the Auditor's Report"
- IFAC Position Paper 5: "A Definition of the Public Interest"
- AATB 2: "Guidance to the Auditor when Responding to Questions at an Annual General Meeting"
- HKAPG 1000: "Special Considerations in Auditing Financial Instruments"
- Panel Discussion : Experience sharing on audit of Chinese enterprises

SSD

The Committee recommended increasing the time for the panel discussion on audit of Chinese enterprises and provided further comments for SSD's consideration.

2521. Revised Comparison Table between Hong Kong and International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements as at 15 July 2012 (Comparison Table)

The Committee considered and endorsed the updated Comparison Table.

[Post meeting note: The revised Comparison Table was posted on the HKICPA's website on 27 July 2012 and is available at: http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/hksa-clarity-centre/2011/hksa-vs-isa2011.pdf]

**2522. (i) IAASB's Invitation to Comment: Improving the Auditor's Report (ITC)
(ii) International Valuation Standards Council's Exposure Draft of a Practical Guide on "The Role of the Professional Valuer in the Audit Process" (IVSC's ED)**

The Committee members were requested to forward comments on the IAASB's ITC and the IVSC's ED.

The IAASB's ITC set out the indicative direction of the IAASB's future standard-setting proposals to improve how and what auditors report in accordance with International Standards on Auditing. The HKICPA's invitation for comment on the IAASB's ITC could be found in http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/ed-2012/i2c_improve.pdf.

The IVSC's ED aimed to provide professional valuers with a better understanding of an auditor's role and how professional valuers can be more effective when assisting auditors and entities during the audit process. It could be found in http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/ed-2012/ed_IVSC.pdf. The Committee had a brief discussion regarding the business valuations made by the professional valuers for IPOs at the meeting.

2523. Reply Letter to SFC on HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"

The SSD reported that the SFC had recently requested the Institute to clarify the reporting framework for the internal control report required under Appendix G of the Code on Unit Trusts and Mutual Funds. The representatives of the Securities and Investment Funds Regulatory Liaison Group and the SSD met with the SFC in June 2012 to discuss this.

The Committee considered the draft reply letter to the SFC and the SSD was requested to amend it and to circulate the revised letter to the Committee for approval. SSD

[Posting meeting note: The AASC, in consultation with the SEIFG confirmed that:

- *HKSAE 3000 is a generally acceptable standard based on ISAE 3000 which can be adopted to conduct the internal control review by an independent auditor as required by Appendix G to the UT Code; and*
- *The scope and required standard, procedure and methodology of a review conducted by an independent auditor in accordance with HKSAE 3000 are no less than those of a review conducted by an independent auditor in accordance with Practice Note 860.2.]*

2524. Enquiry on PN 840 "The Audit of Solicitors' Accounts Under The Solicitors' Accounts Rules and The Accountant's Report Rules"

The SSD received an enquiry from a member regarding follow up enquiries from the Hong Kong Law Society (HKLS) on the reporting under PN 840. The Committee considered and deliberated on whether the member had a legal obligation to communicate with the HKLS and whether there was any statutory protection from its duty of confidentiality if the member communicated with the HKLS.

The SSD was requested to seek advice from the Institute's General Counsel on the matter. SSD

2525. Update on Section 399 of the Companies Bill – Offences relating to contents of auditor's report

The Committee was updated for the latest development of section 399. The Institute has been invited by the Company Registry to participate in the development of the guidance in relation to the implementation of the new legislation. In addition, the Institute would also continue to work on the wordings of the law and develop a guide with the Companies Registry for members in this regard.

SSD would keep the Committee posted of any development. Further information is available at <http://www.hkicpa.org.hk/en/standards-and-regulations/technical-resources/technical-enquiry/ss-tech-faq/#Q1>

There being no further business, the meeting closed at 9:35 a.m.

DENNIS HO
CHAIRMAN

11 September 2012