

2709. ISAE 3400, The Examination of Prospective Financial Information

One of the Committee members reminded the Committee that Hong Kong has adopted all the standards issued by the IAASB except for ISAE 3400 and whether there were any new developments at the IAASB, given that a lot of overseas jurisdictions have also not adopted ISAE 3400, for example the UK.

It was noted that the HKICPA had raised this issue to the IAASB in the past requesting it to consider revising ISAE 3400. In the HKICPA submission dated 4 April 2014 on the Consultation Paper on IAASB's Proposed Strategy for 2015-2019 and Proposed Work Program for 2015-2016, it reiterated that the concerns of ISAE 3400 were:

- (i) Whether reporting accountants are in a position to provide assurance on the reasonableness of the assumptions on profit forecasts in respect of businesses that are in their start-up phase or those that do not have a long history;
- (ii) Whether reporting accountants have the expertise to comment on the assumptions;
- (iii) There were also comments which suggest limiting the period to be reported on to not more than one financial year, as profit forecast that cover a longer period may not be reliable.

It was noted that given limited resources at the IAASB, they have yet to consider the HKICPA's comments.

Given the above and the fact that the HKICPA had developed its own HKSIR 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*, the Committee concluded it would not be necessary to adopt ISAE 3400 in Hong Kong.

2710. Revised PN 730 Guidance for Auditors Regarding Preliminary Announcements of Annual Results

At the last meeting, the Committee had suggested some amendments for consideration by the Working Group on Companies Ordinance (WG). The revised PN 730 had been considered by the WG and amended accordingly.

The Committee considered the latest draft revised PN 730 and suggested further editorial revision.

[Post meeting note: The revised ED PN 730 was approved by circulation and an Invitation to Comment was issued on 25 June 2015 for one month comment period. The Invitation to Comment is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/ed-2015/i2c730.pdf]

2711. Proposed HKSAs on Auditor's Reporting and Additional Footnote in Proposed HKSA 700 (revised)

The Committee considered the proposed HKSAs and suggested editorial amendments. The Committee agreed that it would be appropriate for the description of the auditor's responsibilities to be uploaded on the Institute's website. The website reference is to be included in the auditor's report if practitioners choose to do so under the proposed HKSA 700

SSD

(Revised).

The Committee discussed about the definition of listed entity for the purpose of the proposed HKSA 700 (Revised) and requested SSD to research with reference to other major jurisdictions. SSD

2712. Proposed HKSA 700 (Revised), The Auditor's Responsibilities Relating to Other Information

The SSD converged the ISA 720 (Revised) to HKSA 720 (Revised) and included an additional illustration auditor's report for reporting under section 406(2) of the Hong Kong Companies Ordinance (CO).

The Committee discussed the different requirements for the reporting under the CO and the reporting under ISA 720 (Revised). The Committee provided comments for SSD's consideration. SSD

2713. Set up of Working Group

It was proposed to set up a working group to oversee the finalization of the new and revised HKSA's and the revisions to PN's/ local guidance as a result of HKSAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The Committee was requested to send their nominations to SSD.

2714. Annual Auditing Update Conference 2015 (AAU)

The Committee noted that the AAU would be held on 24 October 2015. The Committee was requested to send their suggestions on topics and speakers to SSD.

2715. Draft Alert and Business Cooperation Agreement

On 29 May 2015, the Ministry of Finance issued the *Provisional Regulations on CPA Practices Carrying Out Audit Services for Mainland Enterprises* (Provisional Regulations). Under the Provisional Regulations, from 1 July 2015 Hong Kong CPA practices auditing Mainland enterprises listed in Hong Kong will have to enter cooperating arrangements with the PRC CPA practices.

The HKICPA proposed to issue an Alert to members giving some guidance on the business cooperation agreement. The Committee considered and provided initial comments on the draft guidance.

The Committee members were requested to provide their feedback on the draft guidance to the SSD by end of the week.

[Post meeting note: The Alert was issued on 6 July 2015 and is available at

http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/alert21.pdf]

There being no further business, the meeting closed at 10:40 a.m.

ERIC TONG
CHAIRMAN

6 July 2015