



Auditing and Assurance Standards Committee
Meeting Summary – February 2007

The Auditing and Assurance Standards Committee (Committee) met on 27 February 2007.

Members present at the meeting were: Carlson Tong (Chairman), Keith Pogson (Deputy Chairman), Wilfred Wong (Deputy Chairman – Represented by Mabel Cheung), Deborah Annells, Chan Tak Shing, Colin Chau, Charles Chow, William Crowe, Richard George, Charles Grieve, Jonathan Lai, Law Fung Ha, Lucia Li, Thomas Wong and Kelvin Wong.

Secretariat staff present at the meeting were: Patricia McBride, Steve Ong, Elaine Chan and Winnie Chan.

The following agenda items were discussed:

1. Meeting schedule for the rest of 2007
2. Terms of Reference and Proposed Work Plan for 2007
3. Proposed HKSRE 2410 on Review of Interim Financial Information performed by the Independent Auditor of the Entity
4. Draft Submission on IAASB ED of ISA 260 (Revised and Redrafted) Communication with Those Charged with Governance, ISA 320 (Revised and Redrafted) Materiality in Planning and Performing an Audit and ISA 450 (Redrafted) Evaluation of Misstatements Identified during the Audit
5. Update on Reporting on Audit of Schools
6. Draft Policy on providing Interpretations or Rulings on Auditing and Assurance Issues

1. Meeting schedule for the rest of 2007

The Committee agreed to meet on the following dates in 2007:

13 March
24 April
22 May
26 June
24 July
11 September
30 October
20 November
18 December

It was noted that all meetings in 2007 would be held on a Tuesday.

2. Terms of Reference and Proposed Work Plan for 2007

The Committee considered the terms of reference brought forward from 2006 and suggested some minor changes. The secretariat was requested to prepare the revised terms of reference for the Committee's consideration at its next meeting.

The Committee considered the proposed work programme for 2007 and agreed to make the following amendments to its work programme:

- To include the finalization of the Institute's Draft Discussion Paper on "Requests For Special Purpose Reports"; and

- To accelerate the development of the following projects:
 - proposed discussion paper on assistance to sponsors on internal controls reporting in IPOs
 - the revision of Practice Note 820 “The Audit of Licensed Corporations and Associated Entities of Intermediaries”
 - the revision of Practice Note 840 “The Audit of Solicitors’ Accounts under the Solicitors’ Accounts Rules and the Accountant’s Report Rules”.

The secretariat was requested to revise the work programme accordingly for consideration by the Committee at its next meeting.

3. Proposed HKSRE 2410 on Review of Interim Financial Information performed by the Independent Auditor of the Entity

The Committee noted that the draft HKSRE 2410 had been revised incorporating the Committee’s comments made at the last meeting.

The Committee considered the revised HKSRE and suggested certain editorial changes. It was agreed that the proposed HKSRE would be effective for reviews of interim financial information for periods beginning on or after 15 December 2006 and early adoption is permissible. The secretariat was requested to revise the draft for endorsement by the Committee at its next meeting.

4. Draft Submission on IAASB ED of ISA 260 (Revised and Redrafted) Communication with Those Charged with Governance, ISA 320 (Revised and Redrafted) Materiality in Planning and Performing an Audit and ISA 450 (Redrafted) Evaluation of Misstatements Identified during the Audit

The Committee noted that the consultation period of the Institute’s Invitation to Comment had ended and comments were received from a member firm.

The Committee considered the Institute’s draft submission to the IAASB prepared by the secretariat based on the key points of the submission received and suggested certain editorial changes. The secretariat was requested to revise the draft submission incorporating the Committee’s comments.

The Institute’s submission was forwarded to the IAASB on 5 March after obtaining Council’s approval.

5. Update on Reporting on Audit of Schools

The Committee noted that an email was received from the EMB on 8 February 2007 confirming that management of the EMB had decided that they would ask auditors of Incorporated Management Committee (IMC) accounts to report on whether the IMC accounts of schools “present fairly” the financial transactions of the IMCs concerned in accordance with section 40BB(4) of the Education Ordinance. Accordingly, it was noted that in relation to this reporting season, the EMB would not be changing the requirement to a “have been properly prepared, in all material respects, in accordance with” opinion.

Based on the latest information received, it was agreed that only the example reports set out in appendices 1 and 2 of the HKICPA Circular on Reporting on the Audit of Schools issued on 22 December 2006 would be applicable. The example reports set out in appendices 3 and 4 would not be applicable. It was agreed that given the generic nature of the Circular, it would be preferable to leave the Circular unchanged for the time being to prevent any unintended confusion to practitioners. The purpose of the Circular is to provide general guidance to practitioners of a generic nature.

The secretariat was requested to monitor the developments in this respect and update the Committee of new developments, if any.

6. Draft Policy on providing Interpretations or Rulings on Auditing and Assurance Issues

The Committee noted that Council had considered a draft Policy on providing Interpretations or Rulings on financial reporting issues and had requested the Committee to consider developing a similar policy, where appropriate, for the endorsement of the Standard-setting Oversight Board.

The Committee considered the matter and was of the view that such a policy might not be applicable for the Committee given that the practice of auditing is slightly different from that of financial reporting. It was agreed that Auditing Standards by their nature are more principle-based and would involve a considerable amount of professional judgment. Furthermore, the Committee would issue guidance to members in the form of practice notes and circulars where appropriate. Accordingly, it was agreed that a published Policy stating that the HKICPA does not provide Interpretations or Rulings on Auditing and Assurance issues may not be necessary and that this message should be conveyed to the Standard-setting Oversight Board for its consideration.

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