



Auditing and Assurance Standards Committee
Meeting Summary – January 2006

The Auditing and Assurance Standards Committee (Committee) met on 27 January 2006.

Members present at the meeting were: Carlson Tong (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), William Crowe, Charles Grieve, Thomas Lau, Lucia Li, Man Mo Leung, Keith Pogson, Paul F. Winkelmann, Thomas Wong and Desmond Yuen (Represented by Kannie Wu).

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

The following agenda items were discussed:

1. List of Items for attention of IAASB at its March 2006 Meeting in Hong Kong
2. Draft Discussion Paper on Issues Arising from Requests for Assurance, Agreed-upon Procedures and Compilation Reports
3. Revised Q&As on Audit Issues – Related Party Transactions
4. Proposed Reply to the Stock Exchange of Hong Kong (SEHK) on the proposed Type of Reporting for Share Option Scheme Adjustments
5. Proposed Working Group for Real Estate Investment (REIT) Listings

1. List of Items for attention of IAASB at its March 2006 Meeting in Hong Kong

The Committee considered the list of items prepared by the secretariat for discussion with IAASB in March and suggested that the significant changes in requirements brought about by ISA 230 *Audit Documentation* be included in the list of items.

2. Draft Discussion Paper on Issues Arising from Requests for Assurance, Agreed-upon Procedures and Compilation Reports

The Committee considered the main section of the revised draft discussion paper and suggested certain editorial changes. It was generally agreed that the status of an agreed-upon procedures type of engagement could be further elaborated in the draft discussion paper by explaining how more comfort could be derived from such an engagement as compared to an audit if the engagement is tightly scoped. Audit engagements are carried on a test basis whereas an agreed upon procedure type of engagement would not normally be expected to be carried out on a test basis.

The Committee agreed that members of the Committee should read Appendix 2 of the draft discussion paper after the meeting and provide their comments to the secretariat in order that any further comments can be reflected in the next draft, where appropriate.

3. Revised Q&As on Audit Issues – Related Party Transactions

The Committee considered the revised Q&As on Audit Issues – Related Party Transactions, prepared by the secretariat, based on a discussion meeting held on 10 January 2006 between the Chairman of the Committee and the Convenor of the Mainland Audit Issues Working Group.

The Committee suggested some minor editorial changes and endorsed the release of

the revised Q&As to the Securities and Futures Commission for comment before posting it on the Institute's website.

[Post meeting note: The Final Q&As were posted on the Institute's website on 21 February 2006.]

4. Proposed Reply to the Stock Exchange of Hong Kong (SEHK) on the proposed Type of Reporting for Share Option Scheme Adjustments

The Committee considered a draft reply prepared by the secretariat to the SEHK, based on the Committee's preliminary comments on the subject matter at the last meeting.

The Committee approved the draft reply for onward submission to the SEHK.

[Post meeting note: The final letter to the SEHK was submitted on 27 January 2006.]

5. Proposed Working Group for Real Estate Investment (REIT) Listings

The Committee agreed that a Joint Working Group be formed to discuss issues encountered by reporting accountants working on REIT listings.

Committee members were requested to nominate staff from their firms who have the relevant experience to join the Joint Working Group.

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