

## **HONG KONG SOCIETY OF ACCOUNTANTS**

### **Auditing and Assurance Standards Committee** **meeting summary – June 2003**

The Society's Auditing and Assurance Standards Committee (Committee) met on 17 June 2003.

Members present at the meeting were: Wong Tak Wai, Alvin (Chairman), Charles Chow (Deputy Chairman), Richard George (Deputy Chairman), Deborah Annells, Andrew Bennett, Patrick Cheng, Kim Chong, William Crowe, Raymond Li, Man Mo Leung, Phyllis Mo, Paul F. Winkelmann and Desmond Yuen.

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

The agenda items were:

1. Minutes of the April 2003 (246th) and May 2003 (247th) Meetings
2. Meeting Summaries of the April 2003 (246th) and May 2003 (247th) Meetings for publication
3. Documents approved by Council
4. Document for the Committee's ratification
5. HKSA Submission on the IAASB's Exposure Draft of Assurance Engagements
6. HKSA Submission on the IAASB's Exposure Draft of Proposed Amendments to IAPS 1005 "The Special Considerations in the Audit of Small Entities"
7. HKSAs Improvement Project
8. Draft proposed PN 852 "Review of lottery accounts"
9. Proposed publications on China audit matters
10. Date of next meeting

#### **1. Minutes of the April 2003 (246th) and May 2003 (247th) Meetings**

The Minutes of the 246<sup>th</sup> and 247<sup>th</sup> Meetings were approved by the Committee and signed by the Chairman.

#### **2. Meeting Summaries of the April 2003 (246th) and May 2003 (247th) Meetings for publication**

The Meeting Summaries of the 246<sup>th</sup> and 247<sup>th</sup> Meetings were approved by the Committee subject to some amendments to the 246<sup>th</sup> Meeting Summary.

#### **3. Documents approved by Council**

The Committee noted that Council had approved the issuance of Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care to Third Parties and The Audit Report", and the HKSA submission on the SFC Consultation Paper "The Draft Code on Real Estate Investment Trusts".

[The Professional Risk Management Bulletin No. 2 is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/riskmanagement/index.php> > and the HKSA submission on the SFC Consultation Paper is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/assurance/submission/reits.pdf> >]

#### **4. Document for the Committee's ratification**

The Committee ratified the issuance of the HKSA Invitation to Comment on the IAASB's Exposure Draft on Quality Control which had previously been endorsed by circulation.

[The HKSA Invitation to Comment is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/assurance/exposedraft/index.php> >]

#### **5. HKSA Submission on the IAASB's Exposure Draft of Assurance Engagements**

Two submissions of comments were received.

The Committee was of the view that the proposed Framework as currently drafted would not be sufficiently helpful for practitioners and users to understand and in particular it failed to address the expectation gap of users reading a moderate level of assurance report. Given that a number of new terms have been introduced, the Committee considered that more guidance and clarifications should be provided in the final Framework in relation to the specific areas identified in order to facilitate a better understanding of the Framework for the performance of assurance engagements.

The Committee noted that the proposed ISAE 2000 merely outlined the key principles and procedures for the performance of assurance engagements on subject matters other than historical financial information. It was considered that the IAASB should consider developing a suite of pronouncements for ISAE engagements like the existing suite of ISA pronouncements for the audits and reviews of historical financial information, to provide further guidance and clarification to practitioners in the conduct of ISAE engagements.

The HKSA submission was prepared with reference to the comments received and on the basis of the above comments.

[The HKSA submission is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/assurance/submission/index.php> >]

#### **6. HKSA Submission on the IAASB's Exposure Draft of Proposed Amendments to IAPS 1005 "The Special Considerations in the Audit of Small Entities"**

One submission of comments was received.

The HKSA submission was prepared with reference to the comments received which indicated a general support of the proposals.

[The HKSA submission is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/assurance/submission/index.php> >]

#### **7. HKSASs Improvement Project**

The Committee considered the proposed revisions to the three HKSASs with exceptions stated in the paragraph "Compliance with International Standards of Auditing", and had the following comments:

- (i) HKSAS 150 (Subsequent events)

The Committee agreed that HKSAS 150 should be revised to converge fully with ISA 560 and that the additional guidance on "Facts discovered after the financial statements are laid before

the shareholders or equivalent” should be provided as the last section of the HKSAS with the heading “Additional guidance applicable to audits of companies incorporated in Hong Kong”.

(ii) HKSAS 230 (Documentation)

The Committee agreed that HKSAS 230 should be revised to converge fully with ISA 230. In relation to the question whether there is a need for the HKSA to prescribe the minimum period for the retention of audit working papers, the Committee agreed that this would be a risk management issue and accordingly, this matter should be referred to the Professional Risk Management Committee for consideration.

(iii) HKSAS 500 (Considering the work of internal auditing)

The Committee agreed that HKSAS 500 should be revised to converge fully with ISA 610.

The Committee agreed that, going forward, ISA wordings should be adopted as far as possible in Hong Kong. Any additional local guidance should be provided after the adopted ISA standards and guidance.

The Committee agreed that given the above three proposed revised HKSASs had guidance being upgraded to standards, these proposed revised HKSASs should be submitted to Council for approval for issuance as exposure drafts with a consultation period of two months together with the proposed revised HKSAS 450 once it is available.

**8. Draft proposed PN 852 “Review of lottery accounts”**

The Committee endorsed that subject to certain editorial changes, the proposed PN 852 be submitted to Council for approval for issuance as an Exposure Draft for a consultation period of two months.

**9. Proposed publications on China audit matters**

The Committee agreed that a Working Group should be set up with members drawn from the practising members of the Committee or their nominees to draft the proposed publications on China audit matters. It was also agreed that the Working Group should make a recommendation to the Committee on the form of the publications (i.e. whether they would be a new series of publications or a series of articles in the Hong Kong Accountant, etc.).

**10. Date of next meeting**

The Committee’s next scheduled meeting date is 22 July 2003.

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**This meeting summary is provided for the information and convenience of those who wish to follow the Committee’s deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this meeting summary, or for any errors or omissions in it.**