

HONG KONG SOCIETY OF ACCOUNTANTS

Auditing And Assurance Standards Committee **Meeting summary – March 2003**

The Society's Auditing and Assurance Standards Committee (Committee) met on 18 March 2003.

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

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

The agenda items were:

1. Composition of the Committee
2. Meeting Schedule for 2003
3. Terms of Reference
4. Work Plan for 2003
5. Minutes of the 241st, 242nd (special), 243rd (special) and 244th (special) Meetings
6. CPD Seminar – Annual Auditing Update 2003
7. Matters Requiring Ratification
8. Auditors' Duty of Care to Third Parties
9. Audits of Mainland Private Enterprises
10. HKSA's Submission on IAASB's Audit Risk Exposure Drafts
11. ISA 800 "The Auditor's Report on Special Purpose Audit Engagements"
12. Exposure Draft of Proposed PN 871 "Engagement to report on compliance with the Billing and Metering Integrity Scheme of OFTA"
13. Date of Next Meeting

1. Composition of the Committee

The Chairman welcomed Charles Grieve (nominee of the Securities and Futures Commission), Man Mo Leung (nominee of the Hong Kong Institute of Directors), Raymond Li (nominee of the Hong Kong Association of Banks) and Phyllis Mo (nominee of the Hong Kong Polytechnic University) to their first meeting of the Committee.

It was noted that the appointments of members from the regulators and business communities were made to adopt the recommendations on the composition of the Committee set out in the Corporate Governance Review Consultation Paper of July 2001 issued by the Standing Committee on Company Law Reform.

2. Meeting Schedule for 2003

The Committee approved the following meeting schedule for the rest of the year:

- 29 April 2003
- 20 May 2003
- 17 June 2003
- 22 July 2003
- 19 August 2003
- 16 September 2003
- 14 October 2003
- 18 November 2003
- 16 December 2003

3. Terms of Reference

The Committee confirmed that there would be no changes to the current terms of reference.

[The terms of reference are available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/committees/AASC.pdf> >]

4. Work Plan for 2003

The Committee endorsed the Work Plan for 2003 which includes the following major projects:

(a) Convergence with International Standards on Auditing (ISAs)

- “Product Convergence” - HKSASs Improvement Project, ISA 800 and ISA 810
- “Process Convergence” - New or revised ISAs based on the IAASB’s Action Plan 2003 – 9 projects

(b) Adoption of International Auditing Practice Statements (IAPs)

- “Product Convergence” - Existing IAPs – 7 projects
- “Process Convergence” - New or revised IAPs based on the IAASB’s Action Plan 2003 – 3 projects

(c) Local Guidance – New or Revised Local Audit/Assurance Guidance in response to new law and regulations and market developments

7 projects in progress

5. Minutes of the 241st, 242nd (special), 243rd (special) and 244th (special) Meetings

The Committee endorsed the Minutes.

6. CPD Seminar – Annual Auditing Update 2003

The Committee agreed that based on the speakers nominated by the Committee for the past 3 years, nominations for this year’s seminar should be from Deloitte Touche Tohmatsu and Ernst & Young. The Chairman of the Committee agreed to be chairman for the seminar.

7. Matters Requiring Ratification

The Committee ratified the following:

- HKSA's Submission dated 19 February 2003 on IAASB's Operations and Preface to IAASB's Statements Exposure Draft.

[The submission is available on-line at:

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

- HKSA's Letter dated 7 March 2003 to the Information Technology Services Department on the proposed splitting of the assessment of a Certification Authority into two parts.

8. Auditors' Duty of Care to Third Parties

The decision taken by Council for the time being was that an article would be published in the March edition of TechWatch.

[The article is available on-line at:

< <http://www.hksa.org.hk/professionaltechnical/techwatch/techwatch13.pdf> >]

9. Audits of Mainland Private Enterprises ("Minying")

The Committee agreed that it would be unnecessary to issue separate auditing guideline on the subject as all audits have to be conducted in accordance with SASSs, and that the SFC should consider holding a forum for auditors drawing their attention to the issues identified by the SFC. The Committee also agreed that it would be appropriate for the HKSA to publish articles/bulletins drawing practising members' attention to the Minying audit and practice issues.

10. HKSA's Submission on IAASB's Audit Risk Exposure Drafts

The Committee endorsed the submission to the IAASB.

[The submission is available on-line at:

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

11. ISA 800 "The Auditor's Report on Special Purpose Audit Engagements"

The Committee agreed that the project to adopt ISA 800 in Hong Kong should be put on hold as a result of the IAASB secretariat's reply to the HKSA's enquiry advising that:

- staff at the IAASB is of the preliminary view that consideration should be given to the need to revise ISA 800, its appendices and ISA 120 to exclude the expression of a "true and fair" opinion on special purpose financial information; and
- the matter will be presented to the IAASB for deliberation.

12. Exposure Draft of Proposed PN 871 "Engagement to report on compliance with the Billing and Metering Integrity Scheme of OFTA"

A late comment letter was received. The comments would be considered by the Committee at its next meeting before finalizing the proposed Practice Note.

13. Date of Next Meeting

The Committee's next scheduled meeting date is 29 April 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.