



**Auditing and Assurance Standards Committee**  
**Meeting Summary – February 2008**

The Auditing and Assurance Standards Committee (Committee) met on 26 February 2008.

Members present at the meeting were: Keith Pogson (Chairman), Wilfred Wong (Deputy Chairman), William Crowe (Deputy Chairman), Derek Broadley, Stephen Chan, Colin Chau, John Chong, Charles Grieve, Fanny Hsiang, Lucia Li (represented by K.T. Li), Thomas Wong, Raymond Wong and Cecilia Yam.

In attendance: Richard George (Chairman of the Accountants' Report Sub-Committee)

Secretariat staff present at the meeting were: Patricia McBride, Steve Ong, Selene Ho, Florence Wong, Winnie Chan and Ben Lo.

The following agenda items were discussed:

1. Exposure Draft on Discussion Paper *Assistance Options to New Applicants and Sponsors in Connection with Internal Controls over Financial Reporting*
  2. Meeting schedule for 2008
  3. Proposed Work Plan for 2008
  4. Adoption of New IAASB Pronouncements
  5. Circular on Audit of Financial Statements of Owners' Corporations of Building – Audit Issues
  6. Exposure Draft on Practice Note 820 *The Audit of Licensed Corporations and Associated Entities*
  7. Referral from FRSC on issuance of audit report on compliance with HKFRSs and IFRSs
  8. Referral from The Law Society of Hong Kong on proposed amendments to the Accountant's Report Rules
1. **Exposure Draft on Discussion Paper Assistance Options to New Applicants and Sponsors in Connection with Internal Controls over Financial Reporting**

The Chairman of the Accountants' Report Sub-Committee reported to the Committee a brief summary of the comment letters received on the Exposure Draft and how the Sub-Committee had revised the Discussion Paper to reflect the comments received, where considered appropriate by the Sub-Committee.

It was agreed by the Committee that the Discussion Paper should be finalized as an "Auditing and Assurance Bulletin" in accordance with its status as set out in the *Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services*. It was noted that Auditing and Assurance Bulletins do not require the approval of Council and they do not have the same authority as Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services.

The Technical Bulletin was approved by the Committee by circulation and can be viewed at:

[http://www.hkicpa.org.hk/publications/bulletins/auditing/TechnicalBulletin\(5Mar08\).pdf](http://www.hkicpa.org.hk/publications/bulletins/auditing/TechnicalBulletin(5Mar08).pdf)

## **2. Meeting schedule for 2008**

The Committee agreed on the following meeting dates for 2008:

26 February  
25 March  
22 April  
20 May  
24 June  
22 July  
23 September  
21 October  
25 November  
16 December

## **3. Proposed Work Plan for 2008**

The Committee considered and agreed on the proposed work plan for 2008 and the key areas addressed in the work plan for 2008 are:

- (i) to maintain a concurrence agenda with the IAASB; and
- (ii) to develop local guidance where considered appropriate.

The major project under local guidance would be the Hong Kong Standard on Investment Circular Reporting Project whereby a joint Consultation Paper is currently being developed with the HKEx.

## **4. Adoption of New IAASB Pronouncements**

The Committee considered and endorsed the adoption of the following revised and redrafted ISAs and ISREs, subject to further consideration by the secretariat on the local guidance provided in the extant HKSA's:

- (a) ISA 230 (Redrafted) *Audit Documentation*
- (b) ISA 260 (Redrafted) *Communication with Those Charged with Governance*
- (c) ISA 540 (Revised and Redrafted) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- (d) ISA 720 (Redrafted) *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*
- (e) Amendments to ISRE 2400 *Engagements to Review Financial Statements* and ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

The proposed HKSA's are effective for audits of financial periods commencing on or after 15 December 2009 and the proposed HKSREs are effective upon release.

## **5. Circular on Audit of Financial Statements of Owners' Corporations of Building – Audit Issues**

The Committee considered and endorsed the revised draft Questions & Answers on the Audit of Financial Statements of Owners' Corporations of Buildings for changes arising from the Building Management (Amendment) Ordinance 2007 which came into effect on 1 August 2007.

The revised Circular can be viewed at:

<http://www.hkicpa.org.hk/professionaltechnical/whatsnew/docs/BMO.pdf>

6. **Exposure Draft on Practice Note 820 *The Audit of Licensed Corporations and Associated Entities of Intermediaries***

The Committee considered and endorsed the finalisation of the Exposure Draft as a Practice Note and submission to Council for its approval, subject to receiving no comment on the Exposure Draft by 29 February 2008.

7. **Referral from FRSC on issuance of audit report on compliance with HKFRSs and IFRSs**

The Committee noted that it would be feasible for an auditor to give separate opinions on the financial statements prepared in accordance with two financial reporting frameworks (HKFRSs and IFRSs) in the same audit report and that an example report should be developed as guidance for members.

The Committee considered and agreed that it would not be necessary to finalise the Exposure Draft of Practice Note 1014 *Reporting by Auditors on Compliance with International Reporting Standards* issued in December 2003 given that the equivalent International Auditing Practice Statement would be included in the proposed revision of ISA 700 *The Independent Auditor's Report on General Purpose Financial Statements*.

The Committee was requested to assist in providing example wordings of audit reports that their firms had already issued to the secretariat to help with the development of an example report.

8. **Referral from The Law Society of Hong Kong on proposed amendments to the Accountant's Report Rules**

The Committee noted that a referral had been received from The Law Society of Hong Kong on certain proposed amendments to the Accountant's Report Rules.

The Committee agreed that members should discuss the changes with the specialists in their respective firms on the proposed changes and provide their comments, if any, to the secretariat.

It was agreed by the Committee that the Working Group on the revision of PN 840 *The Audit of Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules* should review the proposed amendments in detail and carry out research on practices in the UK, and also ascertain how the proposed engagement would fit into the extant HKICPA auditing and assurance framework.

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**Meeting Summaries are 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.**