



Minutes of the 314th meeting of the Auditing and Assurance Standards Committee held on Tuesday, 21 December 2010 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Jack Chow (Chairman)
Mr. Derek Broadley
Mr. Stephen Chan
Mr. Colin Chau
Ms. Mabel Cheung
Mr. Alun Grassick
Ms. Grace Ma
Mr. Paul Phenix (represented by Henri Fok)
Mr. Charlix Wong

In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Selene Ho, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Keith Pogson.

	<u>Action</u>
<p>2415. <u>Minutes of the 313th Meeting</u></p> <p>The minutes of the 313th meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2416. <u>AASC Work Plan 2010 – Status Report</u></p> <p>The Committee considered the status report of the Work Plan for 2010 and noted the progress made on the various projects. The Committee also requested the Standard Setting Department (SSD) to put in the time line for each major project for 2011.</p>	SSD
<p>2417. <u>IFAC Exposure Draft on "A Public Interest Framework for the Accountancy Profession" (IFAC Position Paper #4)</u></p> <p>The Committee noted that the above IFAC Exposure Draft was issued for comments until 25 March 2011 and the Committee was invited to provide comments to the SSD.</p> <p>The Committee also suggested the SSD to invite comments from other stakeholders like the regulators, etc.</p> <p><i>[Post meeting note: An Invitation to Comment was issued on 23 December 2010 and is available at:</i> http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/ic-paper-ed/2010/dec/ifacpolicy-4.pdf<i>]</i></p>	SSD

2418. Issuance of PN 820 *The Audit of Licensed Corporations and Associated Entities of Intermediaries*

The Committee noted that the comment period of the Exposure Draft on PN 820 expired on 30 November 2010 and no comment letter was received in respect of it. The Committee endorsed the issuance of PN 820 in final and it would be effective upon issue.

[Post Meeting Note: PN 820 was issued on 21 December 2010 under Members' Handbook Update 101:

http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update101.pdf]

2419. Update on HKSIR projects

The SSD reported that the representatives from the HKICPA, HKEx and SFC met on 8 December 2010 to discuss the next step forward for the HKSIR project after having obtained an opinion from the Senior Counsel. The Senior Counsel's views were in line with that of the previous legal opinion obtained in December 2008. The respective parties have preliminarily agreed to undertake steps to move the project forward in 2011.

2420. Comparison between Hong Kong and International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements as at 31 December 2010 (Comparison Table)

The Committee considered and endorsed the Comparison Table for posting on the HKICPA's website. The Committee agreed that the Comparison Table should be updated and tabled at AASC meeting regularly.

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The Committee suggested the SSD to prepare a comparison between Hong Kong and China auditing standards. The Committee further suggested that the SSD should work with the regulators in China and update the HKICPA website regularly for any changes in China auditing standards or guidance.

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[Post Meeting Note: The Comparison Table was posted on the HKICPA website on 7 January 2011 and is available at:

http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/hksa-clarity-centre/2010/hksa-vs-isa.pdf]

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2421. Update on Hong Kong Interpretation (HK Int) 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The SSD reported that a meeting with the Hong Kong Association of Banks as suggested by the Committee was held on 22 November 2010 to obtain the preliminary view on the proposed "comfort letter arrangement". Subsequent to the meeting, the SSD issued the HK Int 5 and the Financial Reporting and Auditing Alert Issue 11 on 29 November 2010.

The SSD has developed a Q&A on the HK Int 5 and the Committee was requested to provide comments on the Q&A. The Committee suggested

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that further guidance should be provided on e.g. the timing for obtaining the comfort letter, instances that auditors would need to watch out, etc. The Committee also suggested bringing these to the attention of the members and their clients through TechWatch.

[Post Meeting Note: The Q&A was released on 14 December 2010 and is available at:

http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/rm/2010/QA%20hkint5.pdf]

2422. HKEx proposal on requesting auditors to respond to questions at an annual general meeting (AGM)

The Committee was informed that the HKEx had issued a consultation paper in December 2010 after the soft consultation made earlier, which included a requirement for auditors to answer questions at AGM. The Committee commented that there should be no expectation gap for the types of questions that the auditors would answer at the AGM. SSD

Further to seeking comments from the Committee members earlier, the SSD has conducted research on jurisdictions with similar requirements, like Australia and Singapore. The Committee considered the relevant requirements in Australia and Singapore and suggested that the Australian guidance should be localized for Hong Kong.

2423. Bank confirmation specimen in HKSA (Clarified) 505 External Confirmations

The SSD reported that a telephone conference with the staff of the Hong Kong Association of Banks (HKAB) was held on 20 December 2010 to discuss the transitional arrangement of the new bank confirmation specimen (New Form) in HKSA 505 (Clarified).

The Committee noted that the HKAB would issue a circular to its members reminding them about the New Form which was issued by the HKICPA in consultation with the HKAB in June 2010. The HKAB members would be advised not to reject the New Form and should try their best to provide the information in the New Form. If their systems have not been changed to provide the new information, they would be advised to provide, as a minimum, the information as in the previous old bank confirmation specimen in HKSA 505 which was issued in June 2005.

The Committee also noted that the HKICPA would then issue a circular to its member after the HKAB had issued the above circular, to clarify the situation and to remind the members that they need to perform alternative audit procedures on those new information which the banks could not provide.

[Posting meeting note: A Circular to members and member firms was sent out on 24 December 2010 and is available at:

http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/submission/2010/emailbankconf.pdf]

2424. **Reporting to Hong Kong Leisure and Cultural Services Department (LCSD)**

One of the Committee members reported that the LCSD had recently requested the auditors to perform assurance engagement regarding certain grants of subvention. In this respect, the Committee considered that it would be difficult for auditors to give assurance opinion on compliance with certain operational codes.

A Committee member would assist to facilitate a meeting to be held between the HKICPA and the related government departments to discuss this issue.

There being no further business, the meeting closed at 9:45 a.m.

JACK CHOW
CHAIRMAN

15 February 2011