

Trade and Industrial Organisation Support Fund (TSF)
Notes for Auditors¹ of Grantees

Pursuant to the agreement made between the HKSAR Government and the Grantees in respect of each Trade and Industrial Organisation Support Fund (TSF) project, Grantees are required to submit audited accounts of each TSF project to the Director-General of Trade and Industry (DGTI) according to a stipulated timeframe. The requirement to submit audited accounts is to assure the Government that:

- (a) the project funds were fully and properly applied to the project for which they were paid, received and expended in accordance with the approved project budget;
- (b) the income generated from the project was utilised in accordance with the project agreement; and
- (c) the Grantees complied with the funding terms and conditions in the administration and management of each TSF project, including the usage of the project materials.

These notes aim to provide guidance for Auditors of Grantees in conducting reasonable assurance engagements and in preparing auditor's reports for each TSF project.

2. The audited accounts (to be submitted together with the progress or final report of the project) should comprise a Statement of Income and Expenditure (presented at item level in the same format as in the approved budget), a Statement of Financial Position, Notes to the Accounts and an Auditor's Report. The accounting figures in any part of the audited accounts should be presented in two decimal places.

3. In conducting a reasonable assurance engagement, the Auditors should perform such procedures² as they consider necessary in the circumstances and obtain all the information and explanations which they consider necessary in order to provide them with sufficient evidence to give their conclusion as to whether the Grantee has complied with, in all material respects, the requirements set by the DGTI (including the requirements to keep proper books and records and to prepare audited accounts of the

¹ "Auditor" means a person who at material times is registered as a Certified Public Accountant (Practising), a CPA firm or a Corporate Practice under the Accounting and Financial Reporting Council Ordinance (Cap 588).

² The Auditors' procedures would normally include:

- a. performing tests of transactions and of the existence, ownership and valuation of assets and liabilities;
- b. obtaining an understanding of the accounting systems and control in order to assess its adequacy as a basis for the preparation of the project accounts and to establish whether a proper and separate set of project books and records have been kept and maintained by the Grantee;
- c. assessing significant estimates and judgements made by the Grantee in the preparation of the accounts, and whether the accounting policies have followed the requirements of the TSF, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the accounts.

project), and all the terms and conditions of TSF funding, as specified in the following documents:

- (a) the agreement made between the HKSAR Government and the Grantee in respect of the project and the appendices thereto (which includes the project proposal);
- (b) paragraphs 4, 5 and 6 of the prevailing Guide to Application for TSF as appended to the project agreement; and
- (c) all instructions and correspondences issued by the DGTI to the Grantee in respect of the project.

4. The Auditors should comply with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” as issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants (HKICPA), as well as all relevant Financial Reporting Standards and Auditing and Assurance Standards as issued and updated by the HKICPA from time to time. The following information is required in an auditor’s report prepared by the Auditors to be submitted to the DGTI:

- (a) the Auditors should state whether, in their conclusion, the Grantee has complied with, in all material respects, the requirements set by the DGTI (including the requirements to keep proper books and records and to prepare audited accounts of the project), and all the terms and conditions of TSF funding, as specified in the documents mentioned in paragraph 3 above³;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 4(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditor’s report; and
- (c) if the Auditors are of the opinion that a proper and separate set of books and records have not been kept by the Grantee for the project, or the project accounts have not been properly prepared, or if the Auditors fail to obtain all the information and explanations which are necessary for the purpose of their reasonable assurance engagement, they should make appropriate qualifications in their auditor’s reports.

5. The Auditors should plan and conduct the reasonable assurance engagement to satisfy paragraphs 3 and 4 above. In case of any ambiguity regarding the terms and conditions contained in the project agreement and rules and regulations

³ In expressing the conclusion on the audited accounts of the project, among other things, the Auditors are required to report the Grantee’s compliance with all the relevant provisions of paragraphs 4, 5 and 6 of the Guide to Application for TSF but are allowed to report the Grantee’s compliance with paragraph 4.4.3 (keep full and proper books of accounts and records of the project for a minimum period of 7 years after completion of the project or termination of the project agreement) of the Guide to Application for TSF up to the end of the reporting period (for progress report) or the project completion/termination date (for final report).

governing TSF projects, the Auditors should seek clarification from the TSF Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of TSF guidelines or requirements, expressed by the Auditors in the auditor's report, will be returned to the Grantee for rectification before re-submission.

6. The Auditors may, during the course of their reasonable assurance engagements, come across weaknesses/breakdown in internal control which are considered material. They should bring to the Grantee's attention the details of such weaknesses/breakdown and provide the Grantee with their recommendations for improvement by setting them out in a letter to the Grantee. A copy of such letter should be sent to the DGTI for reference and action as appropriate.

7. The Auditors are expected to follow the specimen auditor's report as attached at the Annex.

Trade and Industrial Organisation Support Fund Secretariat
August 2023

**SPECIMEN INDEPENDENT AUDITOR'S REPORT
ON THE ACCOUNTS / FINAL ACCOUNTS UNDER
THE TRADE AND INDUSTRIAL ORGANISATION SUPPORT FUND
– UNQUALIFIED CONCLUSION**

XYZ PROJECT

[FOR THE PERIOD FROM DD/MM/YYYY (COMMENCEMENT DATE) TO DD/MM/YYYY (END DATE OF REPORTING PERIOD OR PROJECT COMPLETION/TERMINATION DATE)] (Delete as appropriate)

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ABC LIMITED⁴

Pursuant to the agreement made between the HKSAR Government and ABC Limited and the Guide to Application for Trade and Industrial Organisation Support Fund (TSF) in respect of the project funded by the TSF, we have performed a reasonable assurance engagement to report on whether ABC Limited has complied with, in all material respects, the requirements set by the Director-General of Trade and Industry (DGTI) (including the requirements to keep proper books and records and to prepare proper accounts of XYZ Project (the "Project") for the period from DD/MM/YYYY to DD/MM/YYYY on pages ... to ... (the "Project Accounts")), and all the terms and conditions of TSF funding, as specified in the following documents:

- (a) the agreement made between the HKSAR Government and ABC Limited in respect of the Project and the appendices thereto (which includes the Project proposal);
- (b) paragraphs 4, 5 and 6 of the Guide to Application for TSF (the "Guide"); and
- (c) all instructions and correspondences issued by the DGTI to ABC Limited in respect of the Project.

Respective Responsibilities of ABC Limited and Auditors

The DGTI requires ABC Limited to comply with the requirements set by him/her (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of TSF funding, as specified in the documents mentioned in the above paragraph.

It is our responsibility to form an independent conclusion, based on our reasonable assurance engagement, and to report our conclusion to you.

Quality Management and Independence

Our firm applies *Hong Kong Standard on Quality Management 1* issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), which requires the firm to design,

⁴ For universities, the addressee should be either the President or the Vice-Chancellor of the university. For trade associations, the addressee should normally be the chairman of the association. In case of doubt, please ask the Grantee to approach the Trade and Industrial Organisation Support Fund Secretariat for advice.

implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Basis of Conclusion

We conducted our reasonable assurance engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” issued by the HKICPA and the latest Notes for Auditors of Grantees issued in August 2023 by the Trade and Industrial Organisation Support Fund Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to ABC Limited’s compliance with the requirements set by the DGTI (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of TSF funding, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgements made by ABC Limited in the preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of the TSF, consistently applied and adequately disclosed.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our conclusion as to whether ABC Limited has complied with, in all material respects, the requirements set by the DGTI (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of TSF funding, as specified in the documents mentioned in the above first paragraph. In forming our conclusion, we also evaluated the overall adequacy of the presentation of information in the Project Accounts. We believe that our reasonable assurance engagement provides a reasonable basis for our conclusion.

Conclusion

Based on the foregoing, in our opinion, ABC Limited has complied with, in all material respects, the requirements set by the DGTI (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of TSF funding, as specified in the documents mentioned in the above first paragraph.

PQR & Co.
Certified Public Accountants
Hong Kong
Date