

Trade and Industrial Organisation Support Fund (TSF)
Notes for Auditors 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 and/or the Guide to Application for Trade and Industrial Organisation Support Fund, Grantees are required to submit audited accounts¹ 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, and received and expended in accordance with the approved project budget;
- (b) the income generated from the project is utilised in accordance with the project agreement; and
- (c) the Grantees complied with the funding terms and conditions in the administration, management and usage of the TSF project.

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

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

¹ The audited accounts (together with the progress or final report of the project) should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report. The audited accounts mean accounts of the project which have been reported on by Auditors under a reasonable assurance engagement conducted in accordance with Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

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 TSF, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the accounts.

- (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 Trade and Industrial Organisation Support Fund as appended to the project agreement; and
- (c) all instructions and correspondences issued by the DGTI to the Grantee in respect of the project.

3. The Auditors should comply with the Hong Kong Standards on Assurance Engagements issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants³. The following information is required in an auditors' report prepared by the Auditors to be submitted to 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 documents mentioned in paragraph 2 above⁴;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditors' 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 auditors' reports.

4. The Auditors should plan and conduct the reasonable assurance engagement to satisfy paragraphs 2 and 3 above. In case of any ambiguity regarding the terms and conditions contained in the project agreement and rules and regulations governing TSF projects, Auditors should seek clarification from the TSF Secretariat.

³ The Hong Kong Institute of Certified Public Accountants would expect its members to apply those relevant and applicable Standards set out in Hong Kong Standards on Auditing and Hong Kong Standards on Review Engagements when performing "Reasonable Assurance Engagements".

⁴ In expressing the conclusion on the audited final accounts on the project, among other things, auditors are required to report the Grantee's compliance with all the relevant provisions of paragraphs 4, 5 and 6 of the Guide 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 of 7 years after completion of the project or termination of the project agreement) of the Guide up to and including the project completion/termination date.

Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of TSF guidelines or requirements, expressed by Auditors in the auditors' report, will be returned to Grantees for rectification before re-submission.

5. The Auditors may come across during the course of their reasonable assurance engagements 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 DGTI for reference and action as appropriate.

6. Auditors are expected to follow the specimen auditors' report as attached at the Annex.

Trade and Industrial Organisation Support Fund Secretariat
October 2018

Annex

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

XYZ PROJECT

**[FOR THE YEAR ENDED DD/MM/YY / FOR THE PERIOD FROM DD/MM/YY
(Date/ COMMENCEMENT DATE) TO DD/MM/YY (Date/ COMPLETION DATE)]
(Delete as appropriate)**

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF ABC LIMITED⁵

Pursuant to the agreement made between the HKSAR Government and ABC Limited and the Guide to Application for Trade and Industrial Organisation Support Fund in respect of the project funded by the Trade and Industrial Organisation Support Fund (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 [year ended DD/MM/YY / period from DD/MM/YY to DD/MM/YY] 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 Trade and Industrial Organisation Support Fund (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.

⁵ 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.

Our Independence and Quality Control

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

Our firm applies *Hong Kong Standard on Quality Control 1* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Basis of Conclusion

We conducted our reasonable assurance engagement in accordance with Hong Kong Standards on Assurance Engagements issued by the HKICPA and the latest Notes for Auditors of Grantees issued in October 2018 by the Secretariat of Trade and Industrial Organisation Support Fund.

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 Trade and Industrial Organisation Support Fund, 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