

## **Innovation and Technology Fund (ITF)**

### **Re-industrialisation Funding Scheme (RFS)**

#### **Notes for Auditors of Recipient Organisations**

Pursuant to the funding agreement made between the HKSAR Government and the Recipient Organisations (“ROs”) and the Guide to Application for the Re-industrialisation Funding Scheme (“RFS Guide”) in respect of each Re-industrialisation Funding Scheme (“RFS”) project funded by the Innovation and Technology Fund (“ITF”), ROs are required to submit “audited accounts”<sup>1</sup> of each funded RFS project to the Innovation and Technology Commission (“ITC”) 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; and
- (b) the RO complied with the funding terms and conditions in the administration, management and usage of the RFS project.

These notes aim to provide guidance for Auditors of ROs in conducting reasonable assurance engagements and in preparing auditors’ reports for each RFS project.

2. In conducting a reasonable assurance engagement, the Auditors should perform such procedures<sup>2</sup> 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 RO has complied with, in all material respects, the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare audited accounts of the project), and all the terms and conditions of RFS funding, as specified in the following documents:

- (a) the funding agreement made between the HKSAR Government and

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<sup>1</sup> The “audited accounts” comprise income and expenditure statement, balance sheet, notes to the accounts and the auditors’ report and mean accounts of the project which have been reported on by Auditors under a reasonable assurance engagement conducted 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 Hong Kong Institute of Certified Public Accountants.

<sup>2</sup> 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 system 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 have been kept and maintained by the RO;
- c. assessing significant estimates and judgments made by the RO in the preparation of the accounts, and whether the accounting policies have followed the requirements of RFS, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the accounts.

the RO in respect of the project and the appendices thereto (which includes the project proposal);

- (b) RFS Guide referred to in the funding agreement<sup>3</sup>; and
- (c) all applicable instructions and correspondences issued by the ITC to the RO in respect of the project.

3. 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” issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants<sup>4</sup>. The following information is required in an auditors’ report prepared by the Auditors to be submitted to ITC –

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare audited accounts of the project), and all the terms and conditions of RFS funding, as specified in documents mentioned in paragraph 2 above;
- (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 RO for the project, or the procurement procedures for goods and services for the purposes of the project set by the ITC have not been followed 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 engagements, 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 funding agreement, RFS Guide and rules and regulations governing RFS projects, Auditors should seek clarification from the ITC as appropriate. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of RFS guidelines or requirements, expressed by Auditors in the auditors’ report, will be returned to ROs 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

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<sup>3</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

<sup>4</sup> 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 when performing “Reasonable Assurance Engagements”.

considered material. They should bring to the RO's attention the details of such weaknesses/breakdown and provide the RO with their recommendations for improvement by setting them out in a letter to the RO. A copy of such letter should be sent to the ITC for reference and action as appropriate.

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

Innovation and Technology Commission  
July 2020

**SPECIMEN AUDITORS' REPORT ON  
THE ACCOUNTS/FINAL ACCOUNTS UNDER THE  
RE-INDUSTRIALISATION FUNDING SCHEME  
- UNQUALIFIED CONCLUSION**

**ABC PROJECT**

**[FOR THE PERIOD FROM DD/MM/YY (Date/ COMMENCEMENT DATE)  
TO DD/MM/YY (Date/ COMPLETION DATE)]**

**AUDITORS' REPORT TO THE DIRECTORS OF XYZ LIMITED**

Pursuant to the funding agreement made between the HKSAR Government and XYZ Limited and the Guide to Application for the Re-industrialisation Funding Scheme (“RFS Guide”) referred to in the funding agreement in respect of the Re-industrialisation Funding Scheme (“RFS”) project funded by the Innovation and Technology Fund (“ITF”), we have performed a reasonable assurance engagement to report on whether XYZ Limited has complied with, in all material respects, the requirements set by the Innovation and Technology Commission (“ITC”) (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare proper accounts of ABC Project (the “Project”) for the [period from DD/MM/YY to DD/MM/YY] on pages .... to .... (the “Project Accounts”)), and all the terms and conditions of RFS funding, as specified in the following documents:

- (a) the funding agreement made between the HKSAR Government and XYZ Limited in respect of the Project and the appendices thereto (which includes the Project proposal);
- (b) the RFS Guide referred to in the funding agreement<sup>1</sup>; and
- (c) all applicable instructions and correspondences issued by the ITC to XYZ Limited in respect of the Project.

**Respective responsibilities of XYZ Limited and auditors**

The ITC requires XYZ Limited to comply with the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare proper Project Accounts), and all the terms and conditions of RFS funding, as specified in the documents mentioned in the above

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<sup>1</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

paragraph.

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

### **Quality Control and independence**

Our firm applies Hong Kong Standard on Quality Control 1 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.

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 behaviour.

### **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 Recipient Organisations issued in [to be inserted as appropriate] by the ITC.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to XYZ Limited’s compliance with the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare proper Project Accounts), and all the terms and conditions of RFS 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 XYZ Limited in the preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of RFS, 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 XYZ Limited has complied with, in all material respects, the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare proper Project Accounts), and all the terms and conditions of RFS 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, XYZ Limited has complied with, in all material respects, the requirements set by the ITC (including the requirements to keep proper books and records, to comply with the procurement procedures, and to prepare proper Project Accounts), and all the terms and conditions of RFS funding, as specified in the documents mentioned in the above first paragraph.

## **Use of this report**

This report is intended for filing by XYZ Limited with the HKSAR Government, and is not intended to be, and should not be, used by anyone except the above two parties for any other purposes.

ABC & Co.  
Certified Public Accountants (Practising)  
Hong Kong  
Date