

Innovation and Technology Fund (ITF)
Public Sector Trial Scheme
for Technology Companies Conducting Research and Development
Activities in Hong Kong

Notes for Auditors of Recipient Organisations

Pursuant to the project agreement made between the HKSAR Government and the Recipient Organisations (ROs) in respect of each project of Public Sector Trial Scheme for Technology Companies Conducting Research and Development Activities in Hong Kong (PSTS-TC) and the Guide to Filling in the Application Form for PSTS-TC (“the Guide”), ROs are required to submit final “audited accounts”¹ of each PSTS-TC project to the Commissioner for Innovation and Technology (CIT) 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 PSTS-TC project.

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

2. In conducting a reasonable assurance engagement, the Auditors should perform such procedures² as they consider necessary in the circumstances and

¹ The final “audited accounts” comprise income and expenditure statement, balance sheet, notes to the accounts and the auditors’ report and mean final 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.

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 RO;
- c. assessing significant estimates and judgements made by the RO in the preparation of the final accounts, and whether the accounting policies have followed the requirements of PSTS-TC, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the final accounts.

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 CIT (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare final audited accounts of the project), and all the terms and conditions of PSTS-TC funding, as specified in the following documents:

- (a) the project agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) relevant PSTS-TC guideline referred to in the project agreement; and
- (c) all applicable instructions and correspondences issued by the CIT 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 Accountants³. The following information is required in an auditors’ report prepared by the Auditors to be submitted to the CIT -

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by the CIT (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare final audited accounts of the project), and all the terms and conditions of PSTS-TC 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 CIT 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

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 when performing “Reasonable Assurance Engagements”.

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 project agreement and rules and regulations governing PSTS-TC projects, Auditors should seek clarification from the PSTS-TC Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of PSTS-TC guideline 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 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 CIT for reference and action as appropriate.

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

PSTS-TC Secretariat
September 2022

**SPECIMEN AUDITORS' REPORT ON
THE FINAL ACCOUNTS UNDER THE PUBLIC SECTOR TRIAL
SCHEME FOR TECHNOLOGY COMPANIES CONDUCTING
RESEARCH AND DEVELOPMENT ACTIVITIES IN HONG KONG
- UNQUALIFIED CONCLUSION**

**[NAME of the PROJECT]
FOR THE PERIOD FROM [DD/MM/YY (COMMENCEMENT DATE)] TO
[DD/MM/YY (COMPLETION DATE)]**

AUDITORS' REPORT TO THE DIRECTORS OF [NAME OF THE COMPANY]

Pursuant to the project agreement made between the HKSAR Government and [name of the company] and the relevant guidelines referred to in the project agreement in respect of the project of Public Sector Trial Scheme for Technology Companies Conducting Research and Development Activities in Hong Kong (“PSTS-TC”) funded by the Innovation and Technology Fund (“ITF”), we have performed a reasonable assurance engagement to report on whether [name of the company] has complied with, in all material respects, the requirements set by the Commissioner for Innovation and Technology (“CIT”) (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper final accounts of [name of the 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 PSTS-TC funding, as specified in the following documents:

- (a) the project agreement made between the HKSAR Government and [name of the company] in respect of the Project and the appendices thereto (which includes the Project proposal);
- (b) the relevant PSTS-TC guideline referred to in the project agreement; and
- (c) all applicable instructions and correspondences issued by the CIT to [name of the company] in respect of the Project.

Respective responsibilities of [name of the company] and auditors

The CIT requires [name of the company] to comply with the requirements set by him/her (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 PSTS-TC 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 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 September 2022 by the PSTS-TC Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to [name of the company]’s compliance with the requirements set by the CIT (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 PSTS-TC 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 [name of the company] in the preparation of the Project Accounts,

and of whether the accounting policies have followed the requirements of PSTS-TC, 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 [name of the company] has complied with, in all material respects, the requirements set by the CIT (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 PSTS-TC 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, [name of the company] has complied with, in all material respects, the requirements set by the CIT (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 PSTS-TC funding, as specified in the documents mentioned in the above first paragraph.

Use of this report

This report is intended for filing by [name of the company] 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.

[Name of the auditing firm]

Certified Public Accountants (Practising)

Hong Kong

[Date]

STATEMENT OF EXPENDITURE

**STATEMENT OF EXPENDITURE BY [NAME OF THE COMPANY]
[NAME OF THE PROJECT]
FOR THE PERIOD FROM [DD/MM/YY (COMMENCEMENT DATE)] TO
[DD/MM/YY (COMPLETION DATE)]**

<u>Expenditure</u>	<u>(HK\$)</u>
A. Production of Prototypes	
(i) [Name of expenditure item xx]	xxx,xxx
(ii) [Name of expenditure item xx]	xxx,xxx
(iii) [Name of expenditure item xx]	xxx,xxx
	xxx,xxx
 B. Production of Samples	
(i) [Name of expenditure item xx]	xxx,xxx
(ii) [Name of expenditure item xx]	xxx,xxx
(iii) [Name of expenditure item xx]	xxx,xxx
	xxx,xxx
 C. Conducting of Trials	
(i) [Name of expenditure item xx]	xxx,xxx
(ii) [Name of expenditure item xx]	xxx,xxx
(iii) [Name of expenditure item xx]	xxx,xxx
	xxx,xxx
 D. Audit Fee	xxx,xxx
	xxx,xxx
Total Expenditure	x,xxx,xxx

Approved and authorised for issue by [name of the company] on [date]

[Signature]

[Company Chop]

Name:

Post Title: