

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

### **Innovation and Technology Support Programme University Industry Collaboration Programme General Support Programme Midstream Research Programme for Universities**

#### **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 Innovation and Technology Fund (ITF) project and the relevant ITF guidelines<sup>1</sup>, ROs are required to submit annual and final “audited accounts”<sup>2</sup> of each ITF 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 ITF project.

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

2. In conducting a reasonable assurance engagement, the Auditors should perform such procedures<sup>3</sup> as they consider necessary in the circumstances and

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<sup>1</sup> This means the funding and administrative guidelines of respective programme as referred to in the project agreement.

<sup>2</sup> The annual and final “audited accounts” comprise income and expenditure statement, balance sheet, notes to the accounts and the auditors’ report and mean annual and 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.

<sup>3</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 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 annual/final accounts, and whether the accounting policies have followed the requirements of ITF, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the annual/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 and to prepare annual/final audited accounts of the project), and all the terms and conditions of ITF 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 ITF guidelines<sup>1</sup> referred to in the project agreement<sup>4</sup>; 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 Accountants<sup>5</sup>. The following information is required in an auditors’ report prepared by the Auditors to be submitted to 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 and to prepare annual/final audited accounts of the project), and all the terms and conditions of ITF 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 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

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<sup>4</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

<sup>5</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”.

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 ITF projects, Auditors should seek clarification from the ITF Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of ITF 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 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 CIT for reference and action as appropriate.

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

Secretariat  
Innovation and Technology Fund  
November 2017

**SPECIMEN AUDITORS' REPORT ON  
THE ANNUAL/FINAL ACCOUNTS UNDER THE  
INNOVATION AND TECHNOLOGY SUPPORT PROGRAMME  
- UNQUALIFIED CONCLUSION**

**ABC 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)**

**AUDITORS' REPORT TO THE DIRECTORS OF XYZ LIMITED<sup>6</sup>**

Pursuant to the project agreement made between the HKSAR Government and XYZ Limited and the relevant ITF guidelines referred to in the project agreement in respect of the Innovation and Technology Support Programme 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 Commissioner for Innovation and Technology (“CIT”) (including the requirements to keep proper books and records and to prepare proper [annual/final] accounts of ABC 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 ITF funding, as specified in the following documents:

- (a) the project 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 relevant ITF guidelines referred to in the project agreement; and
- (c) all applicable instructions and correspondences issued by CIT to XYZ Limited in respect of the Project.

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<sup>6</sup> 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 RO to approach the ITC for advice.

## **Respective responsibilities of XYZ Limited and auditors**

The CIT requires XYZ 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 ITF 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 [to be inserted as appropriate] by the Secretariat of Innovation and Technology Fund.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to XYZ Limited’s compliance with the requirements set by the CIT (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of ITF 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 ITF,

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 CIT (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of ITF 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 CIT (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of ITF 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) [or Certified Public Accountants]

Hong Kong

Date