

Innovation and Technology Fund

New Industrialisation Acceleration Scheme

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 New Industrialisation Acceleration Scheme (“NIAS Guide”) in respect of each New Industrialisation Acceleration Scheme (“NIAS”) project funded by the Innovation and Technology Fund (“ITF”), ROs are required to submit “audited accounts”¹ of each funded NIAS 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 NIAS project.

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

2. In conducting a reasonable assurance engagement, the Auditors shall 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 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 NIAS funding, as specified in the following documents:

¹ The “audited accounts” of the project comprise income and expenditure statement, balance sheet, notes to the accounts and the auditors’ report 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 system and internal 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 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 NIAS, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the accounts.

- (a) the funding agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) NIAS Guide referred to in the funding agreement³; and
- (c) all applicable instructions and correspondences issued by the ITC to the RO in respect of the project.

3. The Auditors shall 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 Accountants⁴. The following information is required in an auditors’ report prepared by the Auditors to be submitted to the ITC –

- (a) the Auditors shall 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 NIAS 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 shall 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 shall make appropriate qualifications in their auditors’ reports.

4. The Auditors shall 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, NIAS Guide and rules and regulations governing NIAS projects, Auditors shall seek clarification from the ITC as appropriate. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of NIAS 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

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

⁴ 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”.

assurance engagements weaknesses/breakdown in internal control which are considered material. They shall 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 shall 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
September 2024

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

**ABC PROJECT (PROJECT REFERENCE NO.: XXXXXX)
[FOR THE PERIOD FROM DD/MM/YY (COMMENCEMENT DATE /
PROGRESS REPORT START DATE) TO DD/MM/YY (PROGRESS REPORT
END 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 New Industrialisation Acceleration Scheme (“NIAS Guide”) referred to in the funding agreement in respect of the New Industrialisation Acceleration Scheme (“NIAS”) 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 NIAS 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 NIAS Guide referred to in the funding agreement¹; 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

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

and conditions of NIAS 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 Management 1, which requires our firm to design, 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 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 NIAS 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 NIAS, 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 NIAS 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 NIAS 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 shall not be, used by anyone except the above two parties for any other purposes.

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

NIAS Project Accounts Specimen

(A) Income and Expenditure Statement

**For the period from DD/MM/YYYY (Project Commencement Date / Progress Report Start Date) to
DD/MM/YYYY (Progress Report End Date / Project Completion Date)**

	Note	Approved Budget HK\$	Current Period Actual (XX.XX.XXXX to XX.XX.XXXX) HK\$	Accumulated Actual (XX.XX.XXXX to XX.XX.XXXX) HK\$
<u>Income</u>				
Company's Contribution	2			
Funding from NIAS	3			
Interest Income	4	-		
Total Income				
<u>Expenditure</u>	5			
Procurement and Installation of Machinery/ Software and Equipment/Apparatus/Experimental and Testing Equipment				
- Equipment A				
- Equipment B				
- Equipment C				
Specialised Facilities and Associated Auxiliary Equipment				
- Equipment A				
- Equipment B				
- Equipment C				
Technical Consultancy Fee				
[List out items as appropriate]				
Testing and Commissioning Fee				
[List out items as appropriate]				
Staff Training Fee				
[List out items as appropriate]				
Patent Registration Fee				
[List out items as appropriate]				
Audit Fee and Legal Service Fee				
[List out items as appropriate]				
Total Expenditure				
<u>Surplus / (Deficit) for the period</u>				

(B)

Balance Sheet

As at DD/MM/YYYY (Progress Report End Date / Project Completion Date)

	Note	HK\$
<u>Current Assets</u>		
Amount due from NIAS	6	
Bank Balance		
Total Current Assets		<hr/> <hr/>
<u>Representing:</u>		
Project Balance:		
Balance at beginning of the period		
Surplus / (Deficit) for the period		<hr/>
Balance at end of the period		<hr/>

Approved and authorised for issue on behalf of [the Company] on XX.XX.XXXX by

[Signature]

Name:

Director

[Signature]

Name:

Director

Notes 1 to 6 form part of the Project Accounts

(C) Notes to the Accounts

1. Basis of Preparation for the Accounts

The accounts of the Project for the period from XX.XX.XXXX to XX.XX.XXXX have been prepared in accordance with the following documents:

- the funding agreement dated XX.XX.XXXX made between the HKSAR Government and [] (the Company) in respect of the project and the appendices thereto (which includes the project proposal);
- the Guide to Application for the New Industrialisation Acceleration Scheme (“NIAS Guide”) referred to in the funding agreement; and
- all applicable instructions and correspondences issued by the Innovation and Technology Commission (“ITC”) to the Company in respect of the project.

2. Company’s Contribution

Company’s Contribution to the project is recognised on a cash basis. It refers to the contribution made by the Company to the designated project bank account during the period.

3. Funding from NIAS

Funding from NIAS is recognised when the Company’s right to receive payment has been established in accordance with the funding agreement and NIAS Guide.

4. Interest Income

Interest income is recognised in the period in which it is earned (received) from the designated project bank account.

5. Expenditure

Expenditure items of the project are recognised in the period in which they are expended (paid). For the final audited accounts, equipment / goods shall have been received or services have been rendered by the end of the reporting period. The Company adheres to the procurement procedures and practices as stipulated in the funding agreement and NIAS Guide.

6. Amount due from NIAS

Funding from NIAS for the project will be disbursed on a reimbursement basis. The actual amount of the final NIAS fund will be determined by the New Industrialisation Vetting Committee (“the Committee”) and ITC having regard to the actual total recognisable project expenditure on project completion against the approved budget. For interim payment, if applicable, the actual amount of reimbursement will be determined by the Committee and ITC having regard to the project progress and the actual recognisable project expenditure against the approved budget, but in any event the interim payment for the first 12 months will not exceed 50% of the approved funding amount and the total interim payment for the first 24 months will not exceed 60% of the approved funding amount.