

Notes to Auditors

Pursuant to the Agreement made between the Government and the Organisation, the Organisation is required to submit annual and final Audited Project Accounts¹ of each Project to the FBL Secretariat according to a stipulated timeframe as prescribed by the Agreement. The requirement to submit Audited Project 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 Budget; and
- (b) the Organisation complied with the Agreement in the administration, management and usage of Project.

These notes aim to provide guidance for the Organisations and their auditors in conducting reasonable assurance engagements and in preparing auditors' reports for each Project.

2. In conducting a reasonable assurance engagement, the Organisations should ensure that their 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 Organisation has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper

¹ The annual and final Audited Project 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.

² The auditors' procedures would normally include:

- a. performing tests of transactions and of the existence, ownership and valuation of assets and liabilities, if any;
- b. obtaining an understanding of the accounting system and control in order to assess its adequacy as a basis for the preparation of the accounts of the Project and to establish whether a proper and separate set of books and records of the Project have been kept and maintained by the Organisation;
- c. assessing significant estimates and judgments made by the Organisation in the preparation of the annual/final accounts of the Project, and whether the accounting policies have followed the requirements of FBL Secretariat, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the annual/final accounts.

books and records, to comply with the procurement procedures and to prepare annual/final audited accounts of the Project), and all the terms and conditions of FBL Grant, as specified in the following documents:

- (a) The Agreement made between the Government and the Organisation in respect of the Project and the appendices thereto (which includes the Project Proposal); and
- (b) all instructions and correspondences issued by the FBL Secretariat to the Organisation in respect of the FBL Grant.

3. The Organisations shall ensure that 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 auditors’ reports prepared by the auditors to be submitted by the Organisation to the FBL Secretariat –

- (a) the auditors should state whether, in their conclusion, the Organisation has complied with, in all material respects, the requirements 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’ reports; 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 Organisation for the Project, or the procurement procedures for goods and services for the purposes of the project have not been followed, or the relevant 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 the reasonable assurance engagement, they should make appropriate qualifications in the auditors’ reports.

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”.

4. The Organisations shall ensure that their 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 Agreement and rules and regulations governing the Project, the Organisations and their auditors may wish to seek clarifications from the FBL Secretariat. Any unreasonable reservation or denial of conclusion will be returned to Organisation 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 to be material. The Organisations should ensure that their auditors should bring to the Organisations' attention the details of such weaknesses/breakdowns and provide the Organisations with their recommendations for improvement by setting them out in letters to the Organisations. The Organisations should procure the auditor to send a copy of such letter should be sent to the FBL Secretariat for reference and action as appropriate.

6. The Organisations are expected to draw their auditors' attention to this note and require them to prepare their auditors' reports based on the specimen auditors' report as attached at the Annex.

**FBL Secretariat
September 2023**

Annex

**SPECIMEN AUDITORS' REPORT ON
THE ANNUAL/ FINAL ACCOUNTS UNDER THE
INNOVATION AND TECHNOLOGY FUND FOR BETTER LIVING
- UNQUALIFIED CONCLUSION**

[Name of the Project] (“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 [ORGANISATIONS]

Pursuant to the Agreement made between the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“Government”) and XYZ Limited in respect of the Project, 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 Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper [annual/ final] accounts of 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 FBL Grant, as specified in the following documents:

- (a) the Agreement made between the Government and XYZ Limited in respect of the Project and the appendices thereto (which includes the Project proposal); and
- (b) all instructions and correspondences issued by the FBL Secretariat to XYZ Limited in respect of the Project.

Respective responsibilities of XYZ Limited and auditors

The FBL Secretariat requires XYZ Limited to comply with the requirements set by it (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 FBL Grant, 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 to Auditors issued in [to be inserted as appropriate] by the Government.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to XYZ Limited’s compliance with the requirements set by the Government (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 FBL Grant, 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, 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 Government (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 FBL Grant, 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 Government (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 FBL Grant, 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 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