

Sustainable Fisheries Development Fund

Notes for Auditors of Recipient Organisations

Pursuant to the fund agreement (Agreement) made between the Government of the Hong Kong Administrative Region (HKSAR) and the Recipient Organisations (ROs), and the Sustainable Fisheries Development Fund (Fund) Application Guidelines in respect of each Fund project under the Fund, ROs are required to submit interim and final “audited accounts” of each project to the Director of Agriculture, Fisheries and Conservation (DAFC) 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 ROs complied with the funding terms and conditions in the administration, management and usage of the Fund project.

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

2. In conducting a reasonable assurance engagement, the 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 RO has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the Fund project), and all the terms and conditions of Fund, as specified in the following documents:

¹ The interim and final “audited accounts” comprise income and expenditure statement, balance sheet, cash flow statements, notes to the accounts and the auditors’ report and mean interim 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 Fund project 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 interim/final accounts of the Fund project, and whether the accounting policies have followed the requirements of Fund, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the interim/final accounts.

- (a) the Agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) the relevant “ Fund Application Guidelines”³ referred to in the Agreement; and
- (c) all instructions and correspondences issued by DAFC in respect of the Fund.

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. The following information is required in an auditors’ report prepared by the Auditors to be submitted to DAFC –

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the Fund project), and all the terms and conditions of Fund, 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 Fund project, 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’ report.

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 Agreement and rules and regulations governing Fund projects, Auditors should seek clarification from Fund Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the Fund Application Guidelines, 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.

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 DAFC for reference and action as appropriate.

6. Auditors are expected to follow the specimen auditors' report.

Fund Secretariat
September 2017

(These Notes for Auditors of Recipient Organisations has been translated into Chinese. If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.