

## **Sustainable Fisheries Development Fund Notes for Auditor of Recipient Organisation**

Pursuant to the fund agreement (Agreement) made between the Government of the Hong Kong Special Administrative Region (HKSAR) and the Recipient Organisation (RO), and the Sustainable Fisheries Development Fund (Fund)–Application Guidelines in respect of each Fund project under the Fund, the RO is required to submit interim and final audited accounts<sup>11</sup> 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 are fully and properly applied to the project for which they are paid, and received and expended in accordance with the approved project budget; and
- (b) the RO has complied with the funding terms and conditions in the administration, management and usage of the Fund project.

These notes aim to provide guidance for the auditor of the RO in conducting reasonable assurance engagements and in preparing auditor’s report for each Fund project.

2. In conducting a reasonable assurance engagement, the auditor should perform such procedures<sup>12</sup> as he considers necessary in the circumstances and obtain all the information and explanations which he considers necessary in order to provide him with sufficient evidence to give his conclusion as to whether the RO has complied with, in all material respects, the requirements set by the DAFC (including the requirements to keep proper books and records

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<sup>11</sup> 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 the interim and final accounts of the project which have been reported on by the auditor 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>12</sup> The auditor’s procedures will 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 records 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 the Fund, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the interim/final accounts.

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:

- (a) the Agreement made between the Government of the HKSAR and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) the relevant Application Guidelines<sup>13</sup> referred to in the Agreement; and
- (c) all instructions and correspondences issued by the DAFC in respect of the Fund.

3. The auditor 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 auditor's report prepared by the auditor to be submitted to the DAFC:

- (a) the auditor should state whether, in his conclusion, the RO has complied with, in all material respects, the requirements set by the 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 auditor is of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, he should make full disclosure and quantify the effects of such non-compliance in the auditor's report; and
- (c) if the auditor is 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 auditor fails to obtain all the information and explanations which are necessary for the purpose of the reasonable assurance engagement, he should make appropriate qualifications in the auditor's report.

4. The auditor should plan and conduct the reasonable assurance engagement to satisfy the requirements mentioned in paragraphs 2 and 3 above. In case of any ambiguity regarding the terms and conditions contained in the Agreement and the rules and regulations governing Fund projects, the auditor should seek clarification from Fund Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the Fund

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<sup>13</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

Application Guidelines, expressed by the auditor in the auditor's report, will be returned to the RO for rectification before re-submission.

5. The auditor may come across during the course of their reasonable assurance engagements weaknesses/breakdown in internal control which are considered material. He should bring to the RO's attention the details of such weaknesses/breakdown and provide the RO with his recommendations for improvement by setting them out in a letter to the RO. A copy of such letter should be sent to the DAFC for reference and action as appropriate.

6. Auditors are expected to follow the specimen auditors' report as Annex 5.

### **Fund Secretariat**

(These Notes for Auditor of Recipient Organisation have been translated into Chinese. If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.)