

## Updates on auditors' reporting with reference to predecessor Companies Ordinance (Cap. 32) for financial statements for periods ended before 3 March 2014 and applicability of PN 600.1 and PN 900

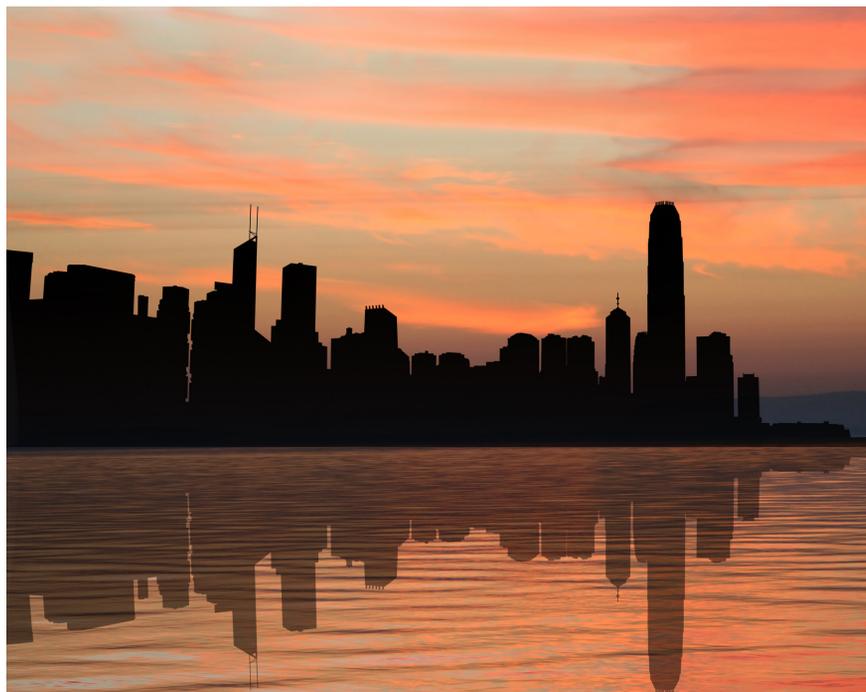
The Institute has received enquiries as to how auditors should make reference to the predecessor Companies Ordinance (Cap. 32) in their auditor's reports on financial statements for periods ended before 3 March 2014 (e.g. the financial year ended 31 December 2013, 31 January and 28 February 2014), when the auditor's reports are dated after that date.

The Institute's Standard Setting Department noted that the "Transitional and Savings Provisions" set out in paragraph 80 of Schedule 11 to the new ordinance (Cap. 622) apply to financial years, which both begin before 3 March and end on or after 3 March 2014.

Given this, the department considers that it is acceptable for auditors' reports dated after 3 March 2014 on financial statements for periods ended before 3 March 2014 (e.g. the financial year ended 31 December 2013, 31 January and 28 February 2014) to make no reference to the new Companies Ordinance and to continue to refer to Cap. 32, as was in force throughout the financial year in question, as the "Hong Kong Companies Ordinance" for audit reports issued under HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements* and refer to "section 141D of the Hong Kong Companies Ordinance" for reports issued under PN 900 (Clarified) *Audit of Financial Statements Prepared in Accordance with the Small- and Medium-sized Entity Financial Reporting Standard*, rather than as the "predecessor ordinance."

Auditors may alternatively choose to refer in their reports to the "predecessor Hong Kong Companies Ordinance, Cap. 32" for the avoidance of doubt. The Institute's working group on Companies Ordinance considers this alternative practice as equally acceptable when the date of the auditor's report itself is after the commencement date of new ordinance (i.e. 3 March 2014).

Consequently, the opinion paragraph in illustration 1 of HKSA 700 (Clarified) can be read as follows:



*"In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 20X1, and of its [profit][loss] and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the [Hong Kong Companies Ordinance or predecessor Hong Kong Companies Ordinance, Cap. 32]."*

The Institute is in the process of developing further FAQs, which will contain guidance on auditor's report wording for financial statements, which cover periods beginning before 3 March 2014 but ending after that date (e.g. the financial year ending 31 March, 30 June and 31 December 2014).

With respect to the applicability of PN 600.1 *Reports by the Auditor under the Hong Kong Companies Ordinance* and PN 900 (Clarified), paragraphs 77 and 80 of Schedule 11 "Transitional and Saving Provisions" of the new ordinance states that sections 141(1), (2), (3), (4), (5) and (6)

and 141D of the predecessor ordinance, as in force immediately before their repeal, continue to apply in relation to a financial year beginning before 3 March 2014 and ending on or after that date.

Accordingly, PN 600.1 (revised in December 2011) and PN 900 (Clarified) (issued in June 2010) continue to apply for an audit of annual financial statements until a company prepares its first set of annual financial statements under the new ordinance for a period beginning on or after 3 March 2014.

The Institute's Auditing and Assurance Standards Committee is in the process of revising the illustrations of auditor's reports in the HKSA, PN 600.1 and PN 900 (Clarified) and will issue the revised pronouncements in due course.



This article is contributed by the Institute's Standard Setting Department.