

Professional Services Advancement Support Scheme (PASS)

Notes for Auditors of Grantees

Pursuant to the project agreement made between the Government of the Hong Kong Special Administrative Region (Government) and the Grantees in respect of each Professional Services Advancement Support Scheme (PASS) project and the Guide to Application for PASS, Grantees are required to submit audited accounts¹ of each PASS project to the Government 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 Grantees had complied with the funding terms and conditions in the administration and management of the PASS project, including the usage of the PASS grant.

2. These notes aim to provide guidance for the Auditors² of Grantees in conducting a reasonable assurance engagement and in preparing an auditor's report for each PASS project.

¹ The "audited accounts" comprise a Statement of Income and Expenditure (with the same expenditure items as shown in the Approved Project Proposal), a Statement of Financial Position, a Statement of Cashflows, Notes to the Accounts and an Auditor's Report. The Final Audited Accounts should also include an Account of Residual Funds and an account of actual reimbursement required for reimbursement items, if any.

² "Auditor" means a person who at material times is registered as a Certified Public Accountant (Practising), a CPA firm or a Corporate Practice under the Accounting and Financial Reporting Council Ordinance, Cap 588.

3. In conducting a reasonable assurance engagement, the auditors should perform such procedures³ 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 Grantee has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare audited accounts of the project), and all the terms and conditions of PASS grant, as specified in the following documents –

- (a) the project agreement made between the Government and the Grantee in respect of the PASS project and the appendices thereto (which includes the project proposal);
- (b) chapters 4, 5 and 6 of the prevailing Guide to Application for PASS as at the date of submission of the application by the Grantee to the PASS Secretariat; and
- (c) all instructions and correspondences issued by the Government to the Grantee in respect of the PASS project.

4. 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” as issued and updated by the Hong Kong Institute of Certified Public Accountants (HKICPA) from time to time, as well as all relevant Financial Reporting Standards and Auditing and Assurance Standards as issued and updated by the HKICPA from time to time. The following information is required in an auditor’s report prepared by the Auditors to be submitted to the Government:

³ 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 systems and 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 and records have been kept and maintained by the Grantee;
- (c) assessing significant estimates and judgments made by the Grantee in the preparation of the accounts, and whether the accounting policies have followed the requirements of PASS, consistently applied and adequately disclosed; and
- (d) evaluating the overall adequacy of the presentation of information in the accounts.

- (a) the Auditors should state whether, in their conclusion, the Grantee has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare audited accounts of the project), and all the terms and conditions of PASS grant, as specified in documents mentioned in paragraph 3 above⁴;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 4(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditor's 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 Grantee for the project, 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 engagement, they should make appropriate qualifications in the auditor's report.

5. The Auditors should plan and conduct the reasonable assurance engagement to satisfy paragraphs 3 and 4 above. In case of any ambiguity regarding the terms and conditions contained in the project agreement and rules and regulations governing PASS projects, Auditors should seek clarification from the PASS Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of PASS guidelines or requirements, expressed by Auditors in the auditor's report, will be returned to the Grantee for rectification before re-submission.

⁴ In expressing conclusion on the audited accounts, among other things, Auditors are required to report the Grantee's compliance with all the relevant provisions of chapters 4, 5 and 6 of the Guide to Application for PASS but are allowed to report the Grantee's compliance with paragraph 5.7.3 (keep books and records for at least seven years after completion of the project), and paragraph 5.8.1(v) (keep all quotations and tendering documents for at least seven years after completion of the project) of the Guide up to and including the project completion date.

6. The Auditors may come across during the course of their reasonable assurance engagement weaknesses/breakdown in internal control which are considered material. They should bring to the Grantee's attention the details of such weaknesses/breakdown and provide the Grantee with their recommendations for improvement by setting them out in a letter to the Grantee. A copy of such letter should be sent to the Government for reference and action as appropriate.

7. Auditors are expected to follow the specimen auditor's report at **Appendix**.

PASS Secretariat
January 2024

**SPECIMEN AUDITOR'S REPORT ON THE ACCOUNTS UNDER
THE PROFESSIONAL SERVICES ADVANCEMENT SUPPORT SCHEME –
UNQUALIFIED CONCLUSION**

**XYZ PROJECT
FOR THE PERIOD FROM DD/MM/YYYY [COMMENCEMENT DATE]
TO DD/MM/YYYY [COMPLETION DATE]**

AUDITOR'S REPORT TO THE DIRECTORS OF ABC LIMITED⁵

Pursuant to the project agreement made between the Government of the Hong Kong Special Administrative Region (Government) and ABC Limited and the Guide to Application for Professional Services Advancement Support Scheme (PASS) in respect of the project funded by the PASS, we have performed a reasonable assurance engagement to report on whether ABC Limited has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare proper accounts of XYZ Project (Approved Project) for the period from DD/MM/YYYY to DD/MM/YYYY on pages x to y (Project Accounts)), and all the terms and conditions of PASS grant, as specified in the following documents –

- (a) the project agreement made between the Government and ABC Limited in respect of the Project and the appendices thereto (which includes the Project proposal);
- (b) chapters 4, 5 and 6 of the Guide to Application for PASS; and
- (c) all instructions and correspondences issued by the Government to ABC Limited in respect of the Project.

⁵ For universities, the addressee should be either the President or the Vice-Chancellor of the university. For trade associations, the addressee should normally be the chairman of the association. In case of doubt, please invite the Grantee to approach the PASS Secretariat for advice.

Respective responsibilities of ABC Limited and auditors

The Government requires ABC Limited to comply with the requirements set by it (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of PASS 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 Management and Independence

Our firm applies Hong Kong Standard on Quality Management 1 issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), which requires the 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 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 Grantees issued in [date to be inserted as appropriate] by the PASS Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to ABC Limited’s compliance with the requirements set by the Government (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of PASS grant, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgments made by ABC Limited in the preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of PASS, 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 ABC Limited has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of PASS 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, ABC Limited has complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of PASS grant, as specified in the documents mentioned in the above first paragraph.

Use of this report

This report is intended for filing by ABC 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.

PQR & Co.
Certified Public Accountants
Hong Kong
Date