

Schedule F - Notes for Auditors of Grantees and Sample Auditors' Report

Purpose

These notes aim to provide guidance for Auditors¹ of the Grantees in preparing auditors' reports for Lantau Conservation Fund – Conservation and Related Projects (LCF projects) under the reasonable assurance engagements made between the Grantees and the Auditors.

Requirements

2. Pursuant to the project agreements made between the Government of the Hong Kong Special Administrative Region (Government) and the Grantees in respect of the approved LCF projects and the “Guide to Application for Lantau Conservation Fund – Conservation and Related Projects” (Guide to Application), the Grantees are required to submit annual and final “Audited Accounts”² of each funded project to the Government Representative 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 expensed in accordance with the Approved Budget; and
- (b) the Grantees complied with the funding terms and conditions in the administration, management and usage of the LCF projects.

¹ Auditors means a person who for the time being is registered under the Professional Accountants Ordinance (Cap. 50) and holds a practising certificate within the meaning of that Ordinance.

² The Audited Accounts should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report and mean annual and final accounts of the projects which have been reported 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.

3. In performing a reasonable assurance engagement, the Auditors should perform such procedures 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 Grantees have complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare annual / final Audited Accounts of the projects), and all the terms and conditions of the LCF projects, as specified in the following documents:

- (a) the project agreements made between the Government and the Grantees in respect of the LCF projects and the appendices thereto (which include the project proposals);
- (b) the prevailing Guide to Application referred to in the project agreements³; and
- (c) all applicable instructions and correspondences issued by the Government Representative to the Grantees in respect of the LCF projects.

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” issued and updated 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 by the Grantees to the Government Representative—

- (a) the Auditors should state whether, in their conclusion, the Grantees have complied with, in all material respects, the requirements set by the Government (including the requirements to keep proper books and records and to prepare annual / final Audited Accounts of the projects), and all the terms and conditions of the LCF projects, as specified in documents mentioned in paragraph 3 above, and that the Audited Accounts properly presented the financial position of the projects;
- (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

³ In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

quantify the effects of such non-compliance in the auditors' report; and if the Auditors are of the opinion that a proper and separate set of books and records have not been kept by the Grantees for the projects, 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 engagements, they should make appropriate qualifications in the auditors' report.

5. The Auditors should plan and conduct the reasonable assurance engagements to satisfy paragraphs 3 and 4 above. In case of any ambiguity regarding the terms and conditions contained in the project agreements and rules and regulations governing the projects, the Auditors should seek clarification from the Grantees and/ or the Government Representative. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguities of LCF guidelines or requirements, expressed by Auditors in the auditors' report, will be returned to the Grantees for rectification before re-submission to the Government Representative.

6. The Auditors may come across during the course of their reasonable assurance engagements weaknesses/breakdowns in internal control on the part of the Grantees which are considered material. They should bring to the Grantees' attention the details of such weaknesses/ breakdowns and provide the Grantees with their recommendations for improvement by setting them out in letters to the Grantees. Copies of such letters should be sent to the Government Representative for reference and action as appropriate.

7. Auditors are expected to follow the sample auditors' report as attached at the **Annex**.

**SAMPLE AUDITORS' REPORT
ON
THE ANNUAL/ FINAL AUDITED ACCOUNTS
UNDER
LANTAU CONSERVATION FUND
CONSERVATION AND RELATED PROJECTS

UNQUALIFIED CONCLUSION**

[XYZ PROJECT]

**[FOR THE PERIOD FROM DD/MM/YY (Date/ COMMENCEMENT DATE)
TO DD/MM/YY (Date/ COMPLETION DATE)]**

AUDITORS' REPORT TO THE [ABC ORGANISATION]

Pursuant to the project agreement made between the Government of the Hong Kong Special Administrative Region (Government) and [ABC Organisation] and the Guide to Application for Lantau Conservation Fund – Conservation and Related Projects (Guide to Application) in respect of the [XYZ project] funded by the Lantau Conservation Fund (LCF), we have performed a reasonable assurance engagement to report on whether [ABC Organisation] 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 [annual/ final audited] accounts of [XYZ project] (the Project) for the period from [DD/MM/YY to DD/MM/YY] on pages ... to ... (the Project Accounts) in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), and all the terms and conditions of LCF, as specified in the following documents:

- (a) the project agreement made between the Government and [ABC Organisation] in respect of the Project and the appendices thereto (which includes the project proposal);
- (b) the prevailing Guide to Application referred to in the project agreement; and

- (c) all applicable instructions and correspondences issued by the Government Representative to [ABC Organisation] in respect of the Project.

Respective Responsibilities of [ABC Organisation] and Auditors

The Government requires [ABC Organisation] to comply with its requirements (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of LCF, 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 (HKSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies and 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, 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 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 and the latest Notes for Auditors of Grantees and Sample Auditors’ Report issued by the Government.

Our reasonable assurance engagement includes examination, on a test basis, of evidences relevant to [ABC Organisation]’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 condition of LCF, as specified in the

documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgements made by [ABC Organisation] in the preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of LCF, and are 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 evidences to give our conclusion as to whether [ABC Organisation] has complied with, in all material respects, all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and 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 LCF, 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 Organisation] has complied with, in all material respects, all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, 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 LCF, as specified in the documents mentioned in the above first paragraph, and that the Audited Accounts properly presented the financial position of the Project.

Use of this report

This report is intended for filing by [ABC Organisation] with the Government, and is not intended to be, and should not be, used by anyone except the above three parties for any other purposes.

PQR & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

Hong Kong

Date