

Construction Innovation and Technology Fund (Manpower Development Programme)

Notes for Auditors of Approved Projects

These notes aim to provide guidance for the Auditors of Successful Applicants in conducting a reasonable assurance engagement and in preparing an audited financial report for each Construction Innovation and Technology Fund (CITF) Approved Project.

1. Pursuant to the project agreement made between the CITF Secretariat (Secretariat) and the Successful Applicants in respect of each CITF project, the Terms and Conditions for CITF, and the Application Framework for CITF, Successful Applicants are required to submit audited accounts¹ of each CITF Manpower Development Project to the Secretariat according to a stipulated timeframe. The requirement to submit audited accounts is to assure the Secretariat that:
 - a) the Funding were fully and properly applied to the project for which they were paid, and received and expended in accordance with the approved fund ceiling; and
 - b) the Successful Applicants complied with the Terms and Conditions for CITF in the administration, management and the usage of the CITF 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 Successful

¹ The audited accounts (together with the completion report of the project) should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report. The audited accounts mean accounts of the project which have been reported on by Auditors under a reasonable assurance engagement conducted in accordance with Hong Kong Standards on Assurance Engagements 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;
- 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 Successful Applicant;
- c) assessing significant estimates and judgments made by the Successful Applicant in the preparation of the accounts, and whether the accounting policies have followed the requirements of CITF, consistently applied and adequately disclosed; and
- d) evaluating the overall adequacy of the presentation of information in the accounts.

Applicant has complied with, in all material respects, the requirements set by the Secretariat (including the requirements to keep proper books and records and to prepare audited accounts of the project), and all the terms and conditions of CITF, as specified in the following documents:

- a) the Notification of Approval and agreement made between the Secretariat and the Successful Applicant in respect of the Approved Project;
 - b) the Terms and Conditions and Application Framework;
 - c) all instructions and correspondences issued by the Secretariat to the Successful Applicant in respect of the Approved Project; and
 - d) requirements stipulated in the Manpower Development Programme – Completion Report.
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” as issued and updated by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) from time to time, as well as all relevant Accounting Standards, Accounting Guidelines and Standards on Auditing as issued and updated by the HKICPA from time to time. The following information is required in an audited financial report prepared by the Auditors to be submitted to the Secretariat:
- a) the Auditors should state whether, in their conclusion, the Successful Applicant has complied with, in all material respects, the requirements set by the Secretariat, 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 3a) above, they should make full disclosure and quantify the effects of such non-compliance in the audited financial 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 Successful Applicant 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 audited financial 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 Notification of Approval, Terms and Conditions and Application Framework governing CITF Approved Projects, Auditors should seek clarification from the CITF Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of CITF guidelines or requirements, expressed

by Auditors in the audited financial report, will be returned to the Successful Applicant for rectification before re-submission.

5. 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 Successful Applicant's attention the details of such weaknesses/breakdown and provide the Successful Applicant with their recommendations for improvement by setting them out in a letter to the Successful Applicant. A copy of such letter should be sent to the Secretariat for reference and action as appropriate.
6. The Successful Applicant shall make reference to the guidelines of the Independent Commission Against Corruption³ and Competition Commission⁴ in preparing the quotation/tender invitation document.
7. Auditors are expected to follow the specimen audited financial report at Appendix A and complete the Manpower Development Programme – Completion Report at MD02 – Annex 1.

CITF Secretariat

June 2019

³ The Independent Commission Against Corruption (ICAC) has published a booklet "Strengthening Integrity and Accountability – Government Funding Schemes Grantee's Guidebook" providing enterprises with a practical set of guidelines in utilising the funds, including sample of probity clause and anti-collusion clause. Softcopy of the Guidebook is available on ICAC's website (http://www.icac.org.hk/filemanager/en/Content_1031/GranteeBPC.pdf). The Successful Applicant is advised to make reference to the best practices in the Guidebook in utilizing government funds and contact the Corruption Prevention Advisory Service of ICAC (Tel: 2526 6363) for any questions concerning the Guidebook or if they need any corruption prevention advice.

⁴ The Competition Commission (CC) has published the "Getting the most from your tender" brochure providing enterprises with a practical set of guidelines in ensuring an open and effective tendering process by preventing and detecting possible bid-rigging cartels. Softcopy of the brochure is available on CC's website (https://www.compcomm.hk/en/media/reports_publications/files/Competition%20Com_E_PamphletPart%202.pdf). The Successful Applicant is advised to contact the CC (Tel: 3462 2118) for any questions concerning the brochure.

Appendix A

**SPECIMEN AUDITED FINANCIAL REPORT ON THE ACCOUNTS UNDER
THE CONSTRUCTION INNOVATION AND TECHNOLOGY FUND –
UNQUALIFIED CONCLUSION**

Application Number:			
Programme Type:			
Name of Successful Applicant:			
Name of Programme:			
For the period:	From:	[DD/MM/YYYY]	To: [DD/MM/YYYY]

AUDITED FINANCIAL REPORT TO THE PRESIDENT⁵ OF [XXXXXXXX]

Pursuant to the project agreement made between the Construction Innovation and Technology Fund Secretariat ('Secretariat') and [XXXXXXXX] and the Terms and Conditions for Construction Innovation and Technology Fund ('CITF') in respect of the project funded by the CITF, we have performed a reasonable assurance engagement to report on whether [XXXXXXXX] has complied with, in all material respects, the requirements set by the Secretariat (including the requirements to keep proper books and records and to prepare proper accounts of [Name of Programme] for the period from [DD/MM/YYYY] to [DD/MM/YYYY] on pages [X] to [X] (the 'Project Accounts')), and all the terms and conditions of CITF, as specified in the following documents:

- a) the Notification of Approval made between the CITF Secretariat and XXXXXXXX in respect of the Approved Project;
- b) the Terms and Conditions and Application Framework;
- c) all instructions and correspondences issued by the Secretariat to the Successful Applicant in respect of the Approved Project; and

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 Successful Applicant to approach the CITF Secretariat for advice.

- d) requirements stipulated in the Manpower Development Programme – Completion Report.

Respective responsibilities of [XXXXXXXX] and auditors

The Secretariat requires [XXXXXXXX] 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 CITF, 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.

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 Hong Kong Institute of Certified Public Accountants and the latest Notes for Auditors of Successful Applicant issued in [date to be inserted as appropriate] by the Secretariat.

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

Use of this report

This report is intended for filing by [XXXXXXXX] with the Secretariat, and is not intended to be, and should not be, used by anyone except the above two parties for any other purposes.

[YYYYYYY]

Certified Public Accountants

Hong Kong

[Date]