

Design Support Programme (DSP)

Notes for Auditors for Recipient Organizations

Pursuant to the agreement made between the HKSAR Government and the Recipient Organizations (ROs) in respect of each Design Support Programme (DSP) project and/or the Guide for the General Support Scheme / the Guide for the Design Research Scheme / the Guide for the Professional Continuing Education Scheme / the Guide for the Design-Business Collaboration Scheme, ROs are required to submit annual and final “audited accounts”¹ of each DSP project to the Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) 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 ROs complied with the funding terms and conditions in the administration, management and usage of the DSP project.

These notes aim to provide a guidance for Auditors of ROs in conducting reasonable assurance engagements and in preparing auditors’ reports for each DSP 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 RO has complied with, in all material respects, the requirements set by the PSCT (including the requirements to keep proper books and records and to prepare annual/final audited accounts of the project), and all the terms and conditions of DSP funding, as specified in the following documents:

¹ The annual and final “audited accounts” comprise income and expenditure statement, balance sheet, notes to the accounts and the auditors’ report and mean annual and final 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 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” 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 RO;
- c. assessing significant estimates and judgments made by the RO in the preparation of the annual/final accounts, and whether the accounting policies have followed the requirements of DSP, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the annual/final accounts.

- (a) the agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) relevant chapters of the latest Guide for the Design Support Programme³ or the equivalent chapters / parts contained in the Guide for the Design Support Programme as at the date of submission of the application by the RO to the DesignSmart Secretariat (where applicable); and
- (c) all instructions and correspondences issued by the PSCT to the RO in respect of the project.

3. The Auditors should comply with the Hong Kong Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits and Reviews of Historical Financial Information” issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants⁴. The following information is required in an auditors’ report prepared by the Auditors to be submitted to PSCT –

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by the PSCT (including the requirements to keep proper books and records and to prepare annual/final audited accounts of the project), and all the terms and conditions of DSP funding, as specified in documents mentioned in paragraph 2 above⁵;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditors’ report; and

³ For projects under the General Support Scheme (GSS), the Design Research Scheme (DRS), the Professional Continuing Education Scheme (PCES) and the Design-Business Collaboration Scheme (DBCS), chapters IV, VI, VII, VIII and IX of the relevant Guide are applicable. In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits

⁴ The Hong Kong Institute of Certified Public Accountants would expect its members to apply those relevant and applicable Standards set out in Hong Kong Standards on Auditing when performing “Reasonable Assurance Engagements”.

⁵ In expressing the conclusion on the final accounts, among other things, auditors are required to report the RO’s compliance with all the provisions of chapters IV, VI, VII, VIII and IX of the Guide applicable for GSS, DRS, PCES and DBCS projects but are allowed to report the RO’s compliance with paragraph 6.1.7 (keep books and records for at least two years after completion of the project or termination of the project agreement), paragraph 6.2.3 (keep all quotations and tendering documents for after completion of the project or termination of the project agreement) of the Guide up to and including the project completion/termination date.

- (c) if the Auditors are of the opinion that a proper and separate set of books and records have not been kept by the RO 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 their auditors' reports.

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 terms and conditions contained in the project agreement and rules and regulations governing DSP projects, Auditors should seek clarification from the DesignSmart Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of DSP guidelines or requirements, expressed by Auditors in the auditors' report, will be returned to ROs for rectification before re-submission.

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

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

Secretariat
DesignSmart Initiative
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