

# Alert

Updates on financial reporting and auditing



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Dear members

## **Provisional regulations on CPA practices carrying out audit services relating to the listing of Mainland enterprises outside Mainland**

On 29 May 2015, the Ministry of Finance ("MoF") issued the "Provisional regulations on CPA practices carrying out audit services relating to the listing of Mainland enterprises outside Mainland" [《會計師事務所從事中國內地企業境外上市審計業務暫行規定》](#) ("Provisional Regulations"), which took effect from 1 July 2015.

In connection with this, the MoF's Accounting Regulatory Department has also published their response to media enquiries: [《強化跨境審計監管的重要舉措 – 財政部會計司有關負責人就會計師事務所從事中國內地企業境外上市審計業務暫行規定答記者問》](#).

Under the Provisional Regulations, from 1 July 2015 Hong Kong CPA practices auditing Mainland enterprises listed in Hong Kong will have to enter into business cooperation arrangements with Mainland CPA practices. Hong Kong CPA practices will be responsible for the scope of arrangements.

Given that the audits will require arrangements to be made for at least two auditors to be involved in the audit engagement, HKSA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* is the most relevant standard to be applied by a Hong Kong CPA practice using Hong Kong Standards on Auditing (HKSA). We recognize that there may be situations where the other auditor engaged by the Hong Kong CPA practice is not strictly speaking a component auditor as defined in HKSA 600 (e.g. borrow staff from another auditor to work on the audit). In such situations we believe that HKSA 600 is still relevant and can be adapted as necessary. Hence, the audits shall be carried out by Hong Kong CPA practices as the group or principal auditors and Mainland CPA practices as the component auditors or equivalent.

To help members meet the requirements of the Provisional Regulations, the Institute has developed some guidance for a [business cooperation agreement \('agreement'\)](#) setting out some key matters that we believe would be appropriate to be included in an agreement between a Hong Kong CPA practice and a Mainland CPA practice. The guidance is available in both English and Chinese for reference. The guidance is not authoritative and is intended only to assist member practices that need to enter into business cooperation



arrangements with Mainland CPA practices. Additional terms can be added to the agreement where appropriate. An agreement should be tailored according to specific requirements and circumstances (e.g. clauses regarding duration of agreement, umbrella or individual agreement, termination). Since an agreement will be a binding document between the signing parties, members are advised to seek legal advice before signing an agreement.

Members are reminded that the details of business cooperation arrangements should not prevent the Hong Kong CPA practices from fully complying with HKSA 600 or any other Hong Kong professional standards.

Members are also reminded that the Provisional Regulations require some filing and reporting to be made to the provincial financial bureau in the area in which the Mainland enterprise is located with copy sent to the Ministry of Finance on a recurring and engagement-by-engagement basis at certain time. For details, please refer to the Provisional Regulations.

The Institute will be in close contact with regulators and market operators in both Hong Kong and the Mainland to help implementation of the new regulations.

If you have any questions on the Provisional Regulations, please send them to [hkicpa@hkicpa.org.hk](mailto:hkicpa@hkicpa.org.hk). The Institute will collate these queries and seek clarification from MoF as appropriate.

Sincere regards,

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