

Professional Training on Smart and Green Logistics Scheme (the Scheme)

Notes for Auditors of Funded Organisations

1. Pursuant to the funding agreement (Agreement) made between the Hong Kong Productivity Council (which is engaged by the Government of the Hong Kong Special Administrative Region (Government) as the Secretariat of the Scheme (Secretariat)) and the Funded Organisations (FOs) in respect of each approved course and the “Guide to Application for the Professional Training on Smart and Green Logistics Scheme” (Guide to Application), FOs are required to submit audited accounts¹ of each approved course to the Secretariat according to a stipulated timeframe. The requirement to submit “audited accounts” is to assure the Subcommittee on the Industry Development (SID) under the Hong Kong Logistics Development Council (LOGSCOUNCIL) and the Government that:

- (a) the funds were fully and properly applied to the approved course for which they were paid, and received and expended in accordance with the approved course proposal and budget annexed to the Agreement; and
- (b) the FOs complied with the funding terms and conditions in the administration, management and usage of the approved course under the Scheme.

These notes aim to provide guidance for Auditors of FOs in conducting reasonable assurance engagements and in preparing auditors’ reports for each approved course under the Scheme.

2. In conducting a reasonable assurance engagement, the Auditors shall 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 FO has complied with, in all material respects, the requirements set by the Secretariat, the SID and/or the Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare audited accounts of the approved course), and all the terms and conditions of the Scheme, as specified in the following documents:

- (a) the Agreement made between the Secretariat and the FO in respect of the approved course and the appendices thereto (which includes the approved course proposal and budget);

¹ The audited accounts (together with the final report of the approved course) shall comprise Statement of Income and Expenditure, Notes to the Accounts and Auditors’ Report. The audited accounts mean accounts of the approved course 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 audited accounts and to establish whether a proper and separate set of books and records for the approved course have been kept and maintained by the FO;
- c. assessing significant estimates and judgments made by the FO in the preparation of the accounts, and whether the accounting policies have followed the requirements of Scheme, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the accounts.

- (b) the Guide to Application as at the date of submission of the application by the FO to the Secretariat; and
- (c) all instructions and correspondences as may be issued from time to time by the Secretariat, the SID and/or the Government to the FO in respect of the approved course.

3. The Auditors shall comply with the Hong Kong Standards on Assurance Engagements issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants³. The following information is required in an auditors' report prepared by the Auditors to be submitted to the Secretariat –

- (a) the Auditors shall state whether, in their conclusion, the FO has complied with, in all material respects, the requirements set by the Secretariat, the SID and/or Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare audited accounts of the approved course), and all the terms and conditions of the Scheme, as specified in documents mentioned in paragraph 2 above⁴;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, they shall make full disclosure and quantify the effects of such non-compliance in the auditors' 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 FO for the approved course, or the procurement procedures for goods and services for the purposes of the approved course as set out in the Guide to Application have not been followed or the audited 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 shall make appropriate qualifications in their auditors' reports.

4. The Auditors shall 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 Agreement and rules and regulations governing approved courses under the Scheme, Auditors shall seek clarification from the Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the Guide to Application of the Scheme or requirements, expressed by Auditors in the auditors' report, will be returned to FOs for rectification before re-submission.

³ 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".

⁴ In expressing the conclusion on the audited accounts on the approved course among other things, Auditors are required to report the FO's compliance with all the relevant provisions of paragraphs 5, 6 and 7 in the Guide to Application but are allowed to report the FO's compliance with paragraph 5.3 (keep a proper and separate set of books and records for the approved course for a minimum of seven years after the completion of the approved course or termination of the Agreement) in the Guide to Application up to and including the approved course completion/termination date.

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

6. The FO shall make reference to the guidelines of the Independent Commission Against Corruption (ICAC)⁵ and Competition Commission (CC)⁶ in preparing the quotation/tender invitation document. In particular, the FO shall (i) ensure a probity clause, an anti-collusion and anti bid-rigging clauses are included in the quotation/tender invitation document; and (ii) where appropriate request bidder/tenderer to sign a confirmation on compliance when submitting quotation/tender. The Auditors shall request the FO to provide the documents stated in 6(i) and (ii) where appropriate during the preparation of the audited accounts.

7. Auditors shall follow the specimen auditors' report as attached at the Annex.

Secretariat
Professional Training on Smart and Green Logistics Scheme
January 2024

⁵ The ICAC has published a booklet "*Strengthening Integrity and Accountability – Government Funding Schemes Grantee's Guidebook*" providing FOs 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 FO 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.

⁶ The CC has published two brochures - "*Getting the most from your tender*" and "*Bid-rigging*" – which are designed to assist FOs 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/other_publications.html). FOs are advised to contact the CC (Tel: 3462 2118) for any questions concerning the brochure.

**SPECIMEN AUDITORS’ REPORT ON
THE ACCOUNTS / FINAL ACCOUNTS
UNDER THE PROFESSIONAL TRAINING ON SMART
AND GREEN LOGISTICS SCHEME
– UNQUALIFIED CONCLUSION**

[Name of the Approved Course]

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

(Delete as appropriate)

AUDITORS’ REPORT TO THE DIRECTORS OF [Name of the FO as registered under the laws of Hong Kong Special Administrative Region (Name of FO)]

Pursuant to the funding agreement made between the Secretariat of the Professional Training on Smart and Green Logistics Scheme (Scheme) and [Name of the FO] (Agreement) and the “Guide to Application for the Professional Training on Smart and Green Logistics Scheme” (Guide to Application) referred to in the Agreement in respect of the approved course funded by the Scheme, we have performed a reasonable assurance engagement to report on whether [Name of the FO] has complied with, in all material respects, the requirements set by the Secretariat, the Subcommittee on the Industry Development (SID) under the Hong Kong Logistics Development Council (LOGSCOUNCIL) and/or the Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper accounts of [Name of the Approved Course] (Approved Course) for the [year ended DD/MM/YY / period from DD/MM/YY to DD/MM/YY] on pages to ... (Audited Accounts), and all the terms and conditions of the Scheme, as specified in the following documents:

- (a) the Agreement made between the Secretariat and [Name of the FO] in respect of the Approved Course and the appendices thereto (which includes the approved course proposal and budget);
- (b) the Guide to Application; and
- (c) all instructions and correspondences issued by the Secretariat, the SID and/or the Government to [Name of the FO] in respect of the Approved Course.

Respective responsibilities of [Name of the FO] and Auditors

The Secretariat, the SID and/or the Government require [Name of the FO] to comply with the requirements set by them individually or collectively (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Audited Accounts), and all the terms and conditions of the Scheme, 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 Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and the latest Notes for Auditors of Funded Organisations issued in **January 2024** by the Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to [Name of the FO]'s compliance with the requirements set by the Secretariat, the SID and/or the Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Audited Accounts), and all the terms and conditions of the Scheme, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgements made by [Name of the FO] in the preparation of the Audited Accounts, and of whether the accounting policies have followed the requirements of the Scheme, 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 [Name of the FO] has complied with, in all material respects, the requirements set by the Secretariat, the SID and/or the Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Audited Accounts), and all the terms and conditions of the Scheme, 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 Audited Accounts. We believe that our reasonable assurance engagement provides a reasonable basis for our conclusion.

Conclusion

Based on the foregoing, in our opinion, [Name of the FO] Limited has complied with, in all material respects, the requirements set by the Secretariat, the SID and/or the Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Audited Accounts), and all the terms and conditions of the Scheme, as specified in the documents mentioned in the above first paragraph.

Use of this report

This report is intended for filing by [Name of the FO] with the Secretariat, the SID and/or the Government, and is not intended to be, and shall not be, used by anyone except the above three parties for any other purposes.

PQR & Co.
Certified Public Accountants
Hong Kong
Date