

**Research Fund for the Control of Infectious Diseases (RFCID) /
Health and Health Services Research Fund (HHSRF)
Notes for Auditors of Principal Applicant and Administering Institution of
Investigator-initiated Projects**

These notes aim to provide guidance for the Auditors of principal applicant and administering institution in conducting reasonable assurance engagements and in preparing auditors' report for each RFCID/HHSRF Full Grant project.

Pursuant to the agreement made between the HKSAR Government and the principal applicant and administering institution in respect of each RFCID/HHSRF Full Grant project, principal applicant and administering institution are required to submit an "audited account"¹ in respect of each RFCID/HHSRF Full Grant project to the Secretary for Food and Health (SFH) according to a stipulated timeframe. The requirement to submit the "audited account" is to assure the Government that:

- (a) the project funds were fully and properly applied to the project for which they were paid, received and expended in accordance with the approved project budget and for the agreed purposes; and
- (b) the principal applicant and administering institution complied with the funding terms and conditions in the administration and management of the project and usage of the fund.

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 principal applicant and

¹ The "audited account" means an account in respect of the Full Grant project containing auditor's report, balance sheet, income and expenditure account and notes to accounts, prepared in accordance with the relevant laws of Hong Kong and the local generally accepted accounting principles (including the Accounting Standards and Accounting Guidelines as the Hong Kong Institute of Certified Public Accountants may issue and update from time to time) and duly audited, dated and signed by a practice unit as defined under the Professional Accountants Ordinance (Cap. 50) which is not in any way connected with the Full Grant project.

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 account and to establish whether a proper and separate set of project books and records have been kept and maintained by the principal applicant and administering institution;
- c. assessing significant estimates and judgments made by the principal applicant and administering institution in the preparation of account, and whether the accounting policies have followed the requirements of the RFCID/HHSRF, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the account.

administering institution have complied with, in all material respects, the requirements set by the SFH (including the requirements to keep proper books and records and to prepare the audited account of the project), and all the terms and conditions of the RFCID/HHSRF funding, as specified in the following documents:

- (a) the agreement made between the HKSAR Government and the principal applicant and administering institution in respect of the project, and the Schedules and Annexes thereto; and
- (b) all instructions and correspondences issued by the SFH to the principal applicant and administering institution in respect of the project.

3. The Auditors should 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 SFH:

- (a) the Auditors should state whether, in their conclusion, the principal applicant and administering institution have complied with, in all material respects, the requirements set by the SFH (including the requirements to keep proper books and records and to prepare an audited account of the project), and all the terms and conditions of the RFCID/HHSRF funding, as specified in the 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 3(a) above, they should 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 principal applicant and administering institution for the project, or the project account 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' 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 terms and

³ The Hong Kong Institute of Certified Public Accountants would expect its members to apply those relevant and applicable Standards set out in Statements of Auditing Standards when performing "Reasonable Assurance Engagements".

conditions contained in the project agreement and rules and regulations governing the RFCID/HHSRF Full Grant project, Auditors should seek clarification from the Research Fund Secretariat (RFS). Any unreasonable reservation or denial of conclusion expressed by Auditors in the auditors' report will be returned to the principal applicant and administering institution 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 attention of both the principal applicant and administering institution details of such weaknesses/breakdown and provide the principal applicant and administering institution with their recommendations for improvement by setting them out in a letter to the principal applicant and administering institution. A copy of such letter should be sent to the RFS for reference and action as appropriate.

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

Research Fund Secretariat
Food and Health Bureau
June 2008

**Specimen Auditors' Report on
The Audited Account under the
Research Fund for the Control of Infectious Diseases/
Health and Health Services Research Fund
Investigator-initiated Projects
- Unqualified Conclusion**

[PROJECT REF.]

[PROJECT TITLE]

[FOR THE PERIOD FROM DD/MM/YYYY (PROJECT COMMENCEMENT DATE) TO DD/MM/YYYY (PROJECT END DATE)]

AUDITORS' REPORT TO THE [PRINCIPAL APPLICANT AND ADMINISTERING INSTITUTION]¹

Pursuant to the agreement made between the HKSAR Government and [**principal applicants and administering institutions**] in respect of the captioned project (the "Project") funded by the Research Fund for the Control of Infectious Diseases (RFCID) / Health and Health Services Research Fund (HHSRF), we have performed a reasonable assurance engagement to report on whether [principal applicant and administering institution] have complied with, in all material respects, the requirements set by the Secretary for Food and Health (SFH) (including the requirements to keep proper books and records and to prepare a proper audited account of the Project for the period from DD/MM/YYYY to DD/MM/YYYY on pages....to(the "Project Account")), and all the terms and conditions of the RFCID/HHSRF funding, as specified in the following documents:

- (a) the agreement made between the HKSAR Government and the principal applicant and administering institution in respect of the Project and the Schedules and Annexes thereto; and
- (b) all instructions and correspondences issued by the SFH to the principal applicant and administering institution in respect of the Project.

Respective responsibilities of the [principal applicant and administering institution] and auditors

[Principal applicant and administering institution] is required to comply with the

¹ The addressee should be the responsible persons who sign the agreement with the Government in respect of the RFCID/HHSRF Full Grant project. In case of doubt, please ask the principal applicant and administering institution to approach the Research Fund Secretariat for advice.

requirements set by the SFH (including the requirements to keep proper books and records and to prepare proper Project Account), and all the terms and conditions of the RFCID/HHSRF funding, 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 principal applicant and administering institution issued in [or to be inserted as appropriate] by the Research Fund Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to [principal applicant and administering institution]'s compliance with the requirements set by the SFH (including the requirements to keep proper books and records and to prepare proper Project Account), and all the terms and conditions of the RFCID/HHSRF funding, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgments made by [principal applicant and administering institution] in the preparation of the Project Account, and of whether the accounting policies have followed the requirements of the RFCID/HHSRF, 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 [principal applicant and administering institution] have complied with, in all material respects, the requirements set by the SFH (including the requirements to keep proper books and records and to prepare proper Project Account), and all the terms and conditions of the RFCID/HHSRF funding, 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 Account. We believe that our reasonable assurance engagement provides a reasonable basis for our conclusion.

Conclusion

Based on the foregoing, in our opinion, [principal applicant and administering institution] have complied with, in all material respects, the requirements set by the SFH (including

the requirements to keep proper books and records and to prepare proper Project Account), and all the terms and conditions of the RFCID/HHSRF funding, as specified in the documents mentioned in the above first paragraph.

Use of this report

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

XXX & Co.

Certified Public Accountants

Hong Kong

Date