

Chinese Medicine Development Fund

Notes for Auditors

Pursuant to the agreement made between the Implementation Agent of the Chinese Medicine Development Fund and the Funded Organisations (the Grantees) (Project Agreement) in respect of each project and/or the Guide to Application (中醫藥行業培訓資助計劃及中醫藥推廣資助計劃申請資助指引), the Grantees are required to submit audited accounts¹ of each funded project to the Implementation Agent of the Chinese Medicine Development Fund according to a stipulated timeframe. The requirement to submit "audited accounts" is to assure the Chinese Medicine Development Fund Implementation Agent and/or 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 proposal and budget annexed to the Project Agreement; and
- (b) the Grantees complied with the funding terms and conditions in the administration, management and usage of the Chinese Medicine Development Fund project.

These notes aim to provide a guidance for the Grantees and their Auditors in conducting reasonable assurance engagements and in preparing auditors' reports for each Chinese Medicine Development Fund project.

2. In conducting a reasonable assurance engagement, the Grantees should ensure that their 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 Grantee has complied

¹ The audited accounts (together with the progress or final 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 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.

² The Auditors' procedures would normally include:

- a. performing tests of transactions and of the existence, ownership and valuation of assets and liabilities, if any;
- 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 Grantee;
- c. assessing significant estimates and judgements made by the Grantee in the preparation of the project accounts, and whether the accounting policies have followed the requirements of Chinese Medicine Development Fund, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the project accounts.

with, in all material respects, the requirements set by the Chinese Medicine Development Fund Implementation Agent 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 project), and all the terms and conditions of Chinese Medicine Development Fund, as specified in the following documents :

- (a) the Project Agreement made between the Chinese Medicine Development Fund Implementation Agent and the Grantee in respect of the project and the appendices thereto (which includes the approved project proposal and budget);
- (b) the prevailing Guide to Application (中醫藥行業培訓資助計劃及中醫藥推廣資助計劃申請資助指引) as at the date of submission of the application by the Grantee to the Chinese Medicine Development Fund Implementation Agent; and
- (c) all instructions and correspondences issued by the Chinese Medicine Development Fund Implementation Agent and/or Government to the Grantee in respect of the project.

3. The Grantees shall ensure that their Auditors should comply with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” 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 by the Grantees to the Chinese Medicine Development Fund Implementation Agent –

- (a) the Auditors should state whether, in their conclusion, the Grantee has complied with, in all material respects, the requirements set by the Chinese Medicine Development Fund Implementation Agent 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 project), and all the terms and conditions of Chinese Medicine Development Fund, as specified in documents mentioned in paragraph 2 above⁴;

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 final account on the project among other things, Auditors are required to report the Grantee’s compliance with all the relevant provisions of the Guide to Application (中醫藥行業培訓資助計劃及中醫藥推廣資助計劃申請資助指引) but are allowed to report the Grantee’s compliance (keep proper and separate set of books of accounts and records of the project for a minimum of 7 years after completion of the project or termination of the Project Agreement) of the Guide to Application (中醫藥行業培訓資助計劃及中醫藥推廣資助計劃申請資助指引) up to and including the project completion/termination date.

(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 Grantee for the project, or the procurement procedures for goods and services for the purposes of the project have not been followed, or the relevant 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 Grantees shall ensure that their 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 Chinese Medicine Development Fund projects, Auditors should seek clarifications from the Chinese Medicine Development Fund Implementation Agent. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of Chinese Medicine Development Fund guidelines or requirements, expressed by Auditors in the auditors' report, will be returned to Grantees 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. The Grantees should ensure that their Auditors should bring to the Grantees' attention the details of such weaknesses/breakdown and provide the Grantees with their recommendations for improvement by setting them out in a letter to the Grantees. A copy of such letter should be sent to the Chinese Medicine Development Fund Implementation Agent for reference and action as appropriate.

6. The Grantees are expected to draw their Auditors' attention to this note and require them to prepare their auditors' reports based on the specimen auditors' report as attached at the Annex.

Implementation Agent
Chinese Medicine Development Fund
April 2024

Annex

SPECIMEN AUDITORS' REPORT ON THE ACCOUNTS / FINAL ACCOUNTS UNDER THE CHINESE MEDICINE DEVELOPMENT FUND – UNQUALIFIED CONCLUSION

XYZ PROJECT

**[FOR THE PERIOD FROM DD/MM/YY (COMMENCEMENT DATE) TO DD/MM/YY
*[(REPORT PERIOD END DATE / COMPLETION DATE)] (Delete as appropriate)**

AUDITORS' REPORT TO THE DIRECTORS OF ABC ORGANISATION

Pursuant to the agreement made between the Implementation Agent of the Chinese Medicine Development Fund and ABC Organisation (Project Agreement) and the Guide to Application (中醫藥行業培訓資助計劃及中醫藥推廣資助計劃申請資助指引) in respect of the project funded by Chinese Medicine Development Fund, we have performed a reasonable assurance engagement to report on whether ABC Organisation has complied with, in all material respects, the requirements set by the Chinese Medicine Development Fund Implementation Agent and/or Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper accounts of XYZ Project (the "Project" for the period from DD/MM/YY (Commencement Date) to DD/MM/YY *[(Report Period End date / Completion Date)] (Delete as appropriate)) on pages to (the "Project Accounts")), and all the terms and conditions of Chinese Medicine Development Fund, as specified in the following documents:

- (a) the Project Agreement *[(and the Change Request Notification(s)] (Delete as appropriate) made between the Chinese Medicine Development Fund Implementation Agent and ABC Organisation in respect of the Project and the appendices thereto (which includes the approved project proposal and budget);
- (b) the Guide to Application; and
- (c) all instructions and correspondences issued by the Chinese Medicine Development Fund Implementation Agent and/or Government to ABC Organisation in respect of the Project.

Respective responsibilities of ABC Organisation and auditors

The Chinese Medicine Development Fund Implementation Agent and/or Government require ABC Organisation 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 Project Accounts), and all the terms and conditions of Chinese Medicine Development Fund, 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.

Quality Control and Independence

Our firm applies Hong Kong Standard on Quality Management 1, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Basis of conclusion

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA and the latest Notes for Auditors issued in [to be inserted as appropriate] by the Chinese Medicine Development Fund Implementation Agent.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to ABC Organisation’s compliance with the requirements set by the Chinese Medicine Development Fund Implementation Agent and/or Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Project Accounts), and all the terms and conditions of Chinese Medicine Development Fund, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgements made by ABC Organisation in the

preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of Chinese Medicine Development Fund, 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 ABC Organisation has complied with, in all material respects, the requirements set by the Chinese Medicine Development Fund Implementation Agent and/or Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Project Accounts), and all the terms and conditions of Chinese Medicine Development Fund, 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, ABC Organisation has complied with, in all material respects, the requirements set by the Chinese Medicine Development Fund Implementation Agent and/or Government (including the requirements to keep proper books and records, to comply with the procurement procedures and to prepare proper Project Accounts), and all the terms and conditions of Chinese Medicine Development Fund, as specified in the documents mentioned in the above first paragraph.

Use of this report

This report is intended for filing by ABC Organisation with the Chinese Medicine Development Fund Implementation Agent and/or Government, and is not intended to be, and should not be, used by anyone except the above three parties for any other purposes.

PQR & Co.

Certified Public Accountants (Practising)

Hong Kong

Date