



Minutes of the 239th meeting of the Ethics Committee held on Friday, 6 July 2018 at 9:30 a.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Ms. Virginia You (Chairman)
 Mr. Patrick Law (Deputy Chairman)
 Ms. Lily Chung
 Mr. Andrew Fan
 Mr. Dennis Fullgrave
 Mr. Johnson Kong
 Mr. Kelvin Kwong (Dial-in)
 Ms. Lai Wai Shan
 Ms. Susanna Lau
 Mr. Horace Ma

In attendance: Mr. Chris Joy, Executive Director
 Ms. Selene Ho, Deputy Director, Standard Setting
 Ms. Phoebe To, Manager, Standard Setting
 Ms. Grace Lau, Manager, Standard Setting

Apologies for absence were received from Ms. Piera Ho, Mr. Denis Brock and Mr. Alex Cheng.

		<u>Action</u>
1645.	<p><u>Minutes of the 238th Meeting</u></p> <p>The Committee approved and the Chairman signed the minutes of the 238th meeting.</p>	
1646.	<p><u>Update on meeting of the International Auditing and Assurance Standards Board ("IAASB") and National Standard Setters ("NSS")</u></p> <p>The Committee noted that the Executive Director and staff of Standard Setting Department ("SSD") participated at the IESBA NSS meeting held on 7 May in Vienna, Austria. The Committee was updated on major items discussed at the meeting including jurisdictional developments of international relevance, restructured code rollout, E-code, fee-related matters and monitoring group review.</p>	
1647.	<p><u>Update on meeting of the International Ethics Standards Board for Accountants ("IESBA")</u></p> <p>The Committee noted that staff of SSD attended the IESBA meeting held between 18 and 20 June in Athens, Greece. The Committee was updated on major items discussed at the meeting including non-assurance services ("NAS") and professional skepticism.</p>	

1648.	<p><u>Consultation paper on Professional Skepticism – Meeting Public Expectations</u></p> <p>The Committee noted that IESBA consultation paper on <i>Professional Skepticism – Meeting Public Expectations</i> had been issued in May for comments by 15 August. Members were requested to provide comments to SSD by 9 August for submission to IESBA.</p> <p>[Post meeting note: The Ethics Committee considered and approved the draft submission letter to IESBA via circulation on 13 August. The submission letter is available at http://www.hkicpa.org.hk/en/standards-and-regulations/standards/code-of-ethics/submissions/]</p>	
1649.	<p><u>IESBA Tokyo Roundtable</u></p> <p>The Committee noted that the Executive Director and SSD staff would attend IESBA roundtable in Tokyo on 12 July. The roundtable aims to obtain stakeholders' feedback on significant public interest topic including NAS and exercise of professional skepticism.</p> <p>For NAS, the Committee provided comments on specific issues mentioned in the roundtable briefing note, e.g. materiality, provisions applicable to Public Interest Entities ("PIE") and non-PIE, additional guidance on IT services, etc.</p> <p>For professional skepticism, a Committee member reported concerns from the PAIBs on the proposals in the consultation paper.</p> <p>SSD staff would consolidate the views from the Committee and present at the roundtable.</p>	
1650.	<p><u>IESBA outreach in Hong Kong</u></p> <p>The Committee noted that IESBA would conduct outreach activities in Hong Kong on 16 July after the Tokyo Roundtable. The outreach would include discussion sessions with representatives of SMPC, PAIB and investor group on key projects such as professional skepticism, NAS and the restructured code. In addition, a seminar for HKICPA members on the restructured code covering key changes in PAIBs and SMPs context had been scheduled on 16 July.</p>	

1651.	<p><u>Discussion on draft approach for adoption of IESBA restructured Code</u></p> <p>On 9 April, the IESBA issued its restructured <i>International Code of Ethics for Professional Accountants (including international independence standards)</i> ("IESBA Code"). The Committee noted that the Institute would adopt the restructured IESBA Code with the same effective date in June 2019.</p> <p>The Committee noted that in addition to the IESBA Code, the extant HKICPA <i>Code of Ethics for Professional Accountants</i> ("HKICPA Code") had an additional Part D, which are either local application or represent an amplification of provisions in IESBA Code, and Parts E and F, which apply to specialized areas of practice.</p> <p>The Committee noted that SSD had started the convergence of the IESBA Code and planned to submit the restructured HKICPA Code for Committee's consideration and approval at its October 2018 meeting. As in the extant HKICPA Code, the IESBA Code would be the first part and followed by local additions. For minimal changes to extant Parts D to F, SSD proposed to retain the section numbers in Parts D to F and change the references to extant Parts A to C.</p>	SSD
	<p>Members discussed and agreed with the draft approach for adoption of the restructured IESBA Code.</p> <p>A Committee member enquired whether local independence issues and examples would be incorporated into the restructured HKICPA Code. SSD considered the inclusion would be appropriate only if they were part of the IESBA Code. SSD added that the Revised Ethics Circular 1 <i>Guidance for Small and Medium Practitioners on the Code of Ethics for Professional Accountants</i> issued by the Institute had provided guidance, application examples and common questions to assist SMPs to apply the HKICPA Code and similar guidance could be issued separately if necessary.</p>	

There being no further business, the meeting closed at 10:30 a.m.

VIRGINIA YOU
CHAIRMAN

4 October 2018