



Ethics Committee
Meeting Summary – October 2006

The Ethics Committee (Committee) met on 12 October 2006.

Members of the Committee present were: Mark Fong (Chairman), Doug Oxley (Deputy Chairman), Keith Pogson (Deputy Chairman), Albert Au, Wilson Chan, Barbara Chan, Chew Fook Aun, Eric Fok, Charles Grieve, Alex Lai, Quinn Law, Raymond Ng, Sheila Pattle, William Shafer and Kenny Tam.

Secretariat staff present were: Patricia McBride (Director, Standard Setting), Elaine Chan (Assistant Director, Standard Setting) and Steve Ong (Assistant Director, Standard Setting).

The Committee discussed Agenda Item 2 “Independence” of the International Ethics Standards Board for Accountants (IESBA) Meeting which would be attended by the Chairman as the Institute’s representative and the Director, Standard Setting as the Technical Advisor.

IESBA Meeting – 16-18 October 2006 in Sydney

a. Definition of engagement team

Certain members had expressed views on:

- the wide range of staff that may potentially be covered by the term “performing an engagement”;
- the independence requirement of an expert; and
- whether who pays for the service of an expert matters.

b. Entities of significant public interest

The Committee generally agreed that the definition of entities of significant public interest should be left to individual member bodies of the IFAC to decide.

Certain members expressed concerns about the proposed change of imposing a higher level of independence requirements on the provision of non-assurance services to audit clients that fall within the definition of significant public interest instead of listed financial statements audit clients since entities of significant public interest may potentially covers a wide range of entities.

c. Cooling-off period

The Committee agreed with the IESBA secretariat’s proposal to refine the wording relating to the cooling-off period before a key audit partner joins an audit client that is an entity of significant public interest.

d. Partner rotation

The Committee agreed that partner rotation should continue to be mandatory for listed entities.

The Committee agreed that clarification should be sought from the IESBA as to whether the requirement for partner rotation applies to subsidiaries of a listed entity.

e. **Provision of non-assurance services**

The Committee made a general comment on this section that it should provide examples of prohibitions but should not include examples of permissions.

The Committee also had discussions on the following areas:

- Management responsibilities
- Preparing accounting records and financial statements
- Valuation services
- Recruiting senior management.

Copyright 2006. The Hong Kong Institute of Certified Public Accountants. All rights reserved.

Permission is granted to make copies of this Meeting Summary provided that such copies are used in academic classrooms or for personal use and are not sold or disseminated, and provided further that each copy bears the following credit line: "Copyright by the Hong Kong Institute of Certified Public Accountants. All rights reserved. Used by permission". Otherwise, written permission from the Hong Kong Institute of Certified Public Accountants is required to reproduce, store or transmit this document, except as permitted by law.

Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.