



## Minutes of the 374<sup>th</sup> Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 19 March 2019 at 8:30 a.m.
- Location: 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: Mr. Paul Lau (Chairman)  
Ms. Loretta Fong (Deputy Chairman)  
Mr. Derek Broadley  
Mr. Ivan Chan  
Mr. Edmond Chan  
Mr. Paul Hebditch  
Mr. Frank Lam  
Ms. Susanna Lau  
Mr. Steve Ong  
Mr. Gary Stevenson  
Miss. Basilia Wong  
Mr. Thomas Wong  
Miss. Joyce Woo
- In attendance: Mr. Chris Joy, Executive Director  
Ms. Selene Ho, Deputy Director, Standard Setting  
Mr. Anthony Wong, Associate Director, Standard Setting  
Ms. Grace Lau, Manager, Standard Setting  
Ms. Phoebe To, Manager, Standard Setting

### Action

**2863. Minutes of the 373<sup>rd</sup> Meeting**

The Committee approved and the Chairman signed the minutes of the 373<sup>rd</sup> meeting.

**2864. Work Plan Status Report and Update from Working Groups**

The Committee considered the report and noted progress of various projects.

**2865. IAASB's Exposure Drafts of Quality Management for Firms and Engagements**

The Committee received an overview of the IAASB's proposed quality management standards. The Committee provided comments on SSD's preliminary views on the exposure drafts and discussed how to reach out to various stakeholders for views to form the basis of the Institute's submission. SSD would prepare a draft response for the Committee's consideration and endorsement before submitting to the IAASB.

SSD

SSD reported that outreach activities on the proposed quality management standards would be held on 23 and 24 May to obtain feedback on the exposure drafts. The outreach activities would include meetings, roundtable discussions and forum with participation by the IAASB's representatives. Committee members were invited to nominate

personnel responsible for quality and risk management in their firms to join the outreach activities, and suggest other topics in addition to the exposure drafts for discussion with the IAASB.

**2866. Invitation to Comment on IAASB's Consultation Paper, Extended External Reporting (EER) Assurance ("Consultation Paper")**

The Committee noted the Consultation Paper issued by the IAASB for public comments by 21 June 2019. The Committee also noted that the Consultation Paper had been forwarded to the Institute's Sustainability and Integrated Reporting Advisory Panel ("Panel"), which consists of representatives from auditing firms and industry experts, for their comments.

The Committee discussed SSD's proposal of setting up a working group consisting of representatives nominated by Committee members and the Panel to provide inputs to the Consultation Paper. The Committee requested SSD to circulate the membership list of the Panel to consider the appropriate composition of the proposed working group.

SSD

**2867. Revised PN 851, Reporting on the Annual Financial Reports of Non-Governmental Organisations**

The Committee noted that SSD, with the input from the Working Group for Types of Reporting ("WG"), had revised PN 851 in accordance with the latest Lump Sum Grant Manual issued by the Social Welfare Department (the "SWD") in 2016.

The Committee noted that the extant PN 851 issued in 2001 had not clarified the reporting framework for the engagement. In revising PN 851, the WG had adopted HKSAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* as the reporting framework for the reporting. The example engagement letter and audit report in PN 851 had also been updated to align with the requirements under HKSAE 3000 (Revised). Before the commencement of the revision, SSD had discussed its revision plans with the SWD on the proposed changes.

SSD reported that in a recent correspondence, the SWD indicated that the Lump Sum Grant Subvention System ("LSGSS") is currently under review by a Task Force ("TF") set up by the Government. The TF would complete its review in mid-2020 which might have impact on the financial monitoring of non-governmental organisations under the LSGSS. As a result, the SWD did not agree with the proposed changes of PN 851 as the TF had not yet concluded the review.

The Committee deliberated on the whether an imminent revision of PN 851 was necessary to achieve compliance with the existing reporting framework. The Committee recommended the Institute to issue a formal letter to the SWD: a) to explain the rationale for the proposed revision of PN 851; and b) suggest to SWD to engage the Institute in the course of reviewing the auditor's reporting requirements under the LSGSS.

SSD

**2868. Proposed Circular on Auditor's Reporting under Cap. 603B Product Eco-responsibility (Regulated Electrical Equipment) Regulation ("Circular")**

The Committee noted that SSD had met with the representatives of the Environmental Protection Department (the "EPD") to discuss the requirements on auditor's reporting under the Regulation. The Committee provided comments on certain matters for SSD's consideration for inclusion in the draft Circular

SSD reported that the draft Circular had considered comments from the EPD and was under review by working group members. SSD would circulate the draft Circular to AASC for consideration and approval by circulation within March.

SSD

[Post-meeting note: The Circular was issued on 2 April 2019 and is available at: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03\\_Our-views/TB\\_-\\_Cir/Auditing/reporteco.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/TB_-_Cir/Auditing/reporteco.pdf).]

**2869. Indicative Update to the HKICPA Audit Practice Manual (2016 edition)("APM")**

The Committee received an overview of new and updated auditing, quality management and financial reporting standards issued or to be issued as of March 2019 but had not been incorporated into the extant APM. Amongst them, the Committee considered the new and enhanced auditing requirements as a result of HKSA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (effective for the year ended 31 December 2020) and HKSA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatements* (tentatively effective for the year ended 31 December 2021) would impact the illustrative audit procedures in the extant APM.

In view of the different effective dates of the upcoming pronouncements, the Committee agreed that the APM would not be revamped during 2019, but suggested SSD to draw subscribers' attention on the new and updated pronouncements not yet included in the extant APM. The Committee also requested SSD to collaborate with the writer of the APM to assess the appropriate timing and extent of the update.

SSD

There being no further business, the meeting closed at 10:00 a.m.

PAUL LAU  
CHAIRMAN

28 May 2019