



Minutes of the 376th Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 24 July 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 (Dial-in)
Mr. Edmond Chan
Mr. Paul Hebditch
Mr. Frank Lam
Ms. Susanna Lau
Mr. Steve Ong
Mr. Gary Stevenson
Miss. Basilia Wong
Mr. Thomas Wong
- In attendance: Ms. Margaret Chan, Chief Executive and Registrar
Mr. Chris Joy, Executive Director
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Manager, Standard Setting
- Apologies: Mr. Ivan Chan
Miss. Joyce Woo

Action

2877. Minutes of the 375th Meeting

The Committee approved and the Chairman signed the minutes of the 375th meeting.

2878. Work Plan Status Report and Update from Working Groups

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

2879. IAASB's Discussion Paper, Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs ("Discussion Paper")

In April, the IAASB issued the Discussion Paper which set out the identified challenges of audits of less complex entities ("LCEs") using International Standards on Auditing ("ISAs") and the possible actions that IAASB could undertake in relation to audits of LCEs. They include (a) revising the ISAs; (b) developing a separate auditing standard for LCEs; and (c) developing guidance for auditors of LCEs or other related actions.

The Committee provided comments to the Consultation Paper. Some Committee members considered the existing requirements in ISAs, which have been developed mainly from a regulatory and public interest perspective, are onerous and extensive for auditors of LCEs which are

privately owned with straight forward information systems and internal controls. While professional judgment plays an important role to interpret the standards and determine the audit approach for specific circumstance, some Committee members are of the view that the existing ISAs require auditors to perform procedures and documentation which may be unnecessary in the audits of LCEs. Meanwhile, Committee members found it challenging to develop a separate auditing standard for LCEs which would have the same fundamental principles as ISAs. Some Committee members favoured developing separate guidance to address the practical challenges of applying ISAs in LCE audits.

Committee members were invited to provide other comments on the Discussion Paper. Subject to the comments received, SSD would prepare a draft response for the Committee's consideration and endorsement before submitting to the IAASB.

SSD

2880. Exposure Drafts of Insurance Related Practice Notes

In April, the Insurance Authority ("IA") issued the Consultation Conclusions on Draft Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules ("Rules") under section 129 of the Insurance Ordinance to provide guidance to licensed insurance broker companies under the new regulatory regime which would be effective on 23 September 2019. SSD had revised the following practice notes to conform with the Rules:

- Practice Note 810.1 (Revised), Insurance Brokers – Compliance with the Minimum Requirements Specified by the Insurance Authority under Sections 69(2) and 70(2) of the Insurance Ordinance
- Practice Note 810.2 (Revised), The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance
- Practice Note 620.2 (Revised), Communication between the Auditor and the Insurance Authority

The revised practice notes would have the same effective date as the Rules, i.e. 23 September 2019.

The Committee considered the revisions to the revised practice notes and endorsed the issuance of exposure drafts for one month comment period.

[Post meeting note: Exposure drafts for one month comment period was issued on 26 July and the link is:

https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/edx3/i2cx3.pdf?la=en&hash=00C7A9FB4A55187405C444AAE438A19C]

2881. Annual Auditing Update Conference 2019 ("AAU")

The Committee noted that the AAU would be held on 26 October at the Ritz-Carlton Hotel in Kowloon. The Committee considered the proposed programme and provided some comments for SSD's consideration. Some Committee members suggested arranging a panel discussion session at the AAU to facilitate interaction with participants.

2882. Proposed project for aligning references in auditing and assurance pronouncements to the HKICPA Code of Ethics for Professional

Accountants (Revised 2018)

In November 2018, the Institute issued the revised *Code of Ethics for Professional Accountants* (the "revised Code") by adopting the *International Code of Ethics for Professional Accountants (including International Independence Standards)*. The revised Code became effective on 15 June 2019.

SSD proposed to update the references in the auditing and assurance standards in Volume III of the Members' Handbook to conform to the provisions of the revised Code.

The Committee approved the proposed project and agreed that no exposure draft on such editorial amendments would be necessary.

2883. A.O.B.

- The Committee noted that Thomas Seidenstein had been appointed the new chairman of IAASB with effect from 1 July 2019. The Institute would continue to develop working relationship with IAASB to facilitate standard setting activities in Hong Kong.
- The Committee noted that with effect from 1 October 2019,
 - (i) the Financial Reporting Council ("FRC") would become the independent listed entity auditor regulator for Hong Kong; and
 - (ii) overseas auditors and certain Mainland auditors undertaking audit engagements for companies listed on the Stock Exchange of Hong Kong ("HKEX"), IPOs and Very substantial acquisition (VSA) engagements would be required to be recognised by the FRC in order to be auditors/reporting accountants of such engagements in Hong Kong. Further guidance on the requirements would be issued by the FRC in early August.

There being no further business, the meeting closed at 9:45 a.m.

PAUL LAU
CHAIRMAN

29 July 2019