



Minutes of the 377th Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 10 September 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)
Mr. Derek Broadley
Mr. Edmond Chan
Mr. Ivan Chan (Dial-in)
Mr. Paul Hebditch
Ms. Susanna Lau
Mr. Steve Ong
Miss. Basilia Wong
Mr. Thomas Wong
Miss. Joyce Woo
- In attendance: Mr. Chris Joy, Executive Director
Ms. Christina Ng, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
Ms. Grace Lau, Manager, Standard Setting
- Apologies: Ms. Loretta Fong
Mr. Frank Lam
Mr. Gary Stevenson

2884. **Minutes of the 376th Meeting**

The Committee approved and the Chairman signed the minutes of the 376th meeting.

2885. **Work Plan Status Report and Update from Working Groups**

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

2886. **Submission on IAASB's Discussion Paper, *Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs***

SSD reported that the local comment period for the discussion paper had ended on 12 August. The Committee received an update on the comments received.

The Committee noted the draft submission prepared by SSD and provided comments. SSD would finalise the draft submission and circulate for the Committee's approval in due course.

[Post meeting note: The comment letter was submitted to IAASB on 12 September and is available at: <https://www.hkicpa.org.hk/>

Action

SSD

2887. Insurance Related Practice Notes

SSD reported that the exposure draft period for the following insurance practice notes had ended on 28 August 2019:

- Practice Note 620.2 (Revised) *Communication between auditors and the Insurance Authority*
 - Practice Note 810.1 (Revised) *Licensed Insurance Broker Companies – Compliance with the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules*
 - Practice Note 810.2 (Revised) *The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance*
- (Collectively referred to as “revised practice notes”)

SSD highlighted the comments received during the exposure draft period, which had been incorporated into the revised practice notes as appropriate.

The Committee considered and endorsed the issuance of the revised practice notes, with an effective date of 23 September 2019 to align with the new regulatory regime for licensed insurance broker companies.

[Post meeting note: The revised practice notes were issued on 30 September in Members' Handbook Update 232 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update232.pdf>]

2888. Proposed revisions to bank confirmation request template

The Committee noted HSBC's proposal to amend the Standard Bank Confirmation Request Form (“Request Form”) attached in Appendix 2 of HKSA 505 *External Confirmations*.

SSD had considered HSBC's suggestions and proposed the following changes to the Request Form:

- Requiring the bank customer to state its business registration number on the Request Form to facilitate the identification and processing by the bank; and
- On an optional basis, the bank customer to indicate auditor's e-mail address on the Request Form for the auditor to receive the confirmation through email to save paper and speed up the process.

The Committee considered the proposed changes and had the following comments:

- Whether dispatching the bank confirmation through e-mail would result in security and confidentiality issue;
- Whether banks would response to auditors' follow-up requests to verify the authenticity of the e-mail confirmation received, e.g. phone enquiry; and
- Whether additional guidance should be developed in this regard.

SSD commented that HKSA 505 did not preclude the use of electronic confirmations. It included guidance where auditors might need to consider

if confirmations were received electronically.

The Committee agreed for SSD to discuss the proposed changes with the Hong Kong Association of Banks (“HKAB”), and request HKAB to consult their member banks on these changes.

SSD

2889. Update on auditor's reporting requirements under the proposed Product Eco-responsibility (Regulated Articles) Regulation (“Regulation”)

SSD reported that the Environmental Protection Department had finalised the proposed auditor’s reporting requirements under the Regulation, for tentatively commencement in the second half of 2020.

SSD would monitor the implementation timetable and consider developing guidance for the reporting in due course.

SSD

2890. Proposed Standards and Professionalism Framework for Business Valuation in the Hong Kong market

The Committee noted a task force was set up to elevate standards and professionalism in valuations for the Hong Kong market. The task force comprised representatives from the Institute, other professional bodies, valuation firms and Big 4 accounting firms.

In July, the task force issued a consultation paper on Proposed Standards and Professionalism Framework for Business Valuation in the Hong Kong market. The Institute would organise roundtable discussion on the proposed framework, and encourage HKICPA members and stakeholders to respond to the consultation paper directly. Also, the upcoming A PLUS would include a feature article to explain the consultation paper.

The Committee noted the proposed framework, and enquired the monitoring mechanism of its application. It was reported that the details of the monitoring mechanism have yet to be finalized. Members of the task force (e.g. HKICPA members) would be encouraged to apply the framework.

The Committee was requested to consider and provide comments to the consultation paper directly before the end of the consultation period.

2891. A.O.B.

- SSD had finalised the programme and list of speakers of the Annual Auditing Update Conference 2019 to be held on 26 October.
- With effect from 1 October, the Financial Reporting Council (“FRC”) would become the auditor regulator for Public Interest Entities (“PIE”) in Hong Kong. Steve Ong of The Stock Exchange of Hong Kong (“Exchange”) reported that any non-Hong Kong audit firm would need to be recognized by the FRC before the audit firm could undertake any PIE engagement. Under the Financial Reporting Council Ordinance (Cap. 588), the Exchange needs to issue a “Statement of No Objection” (“SNO”) before the FRC considers an application of the overseas audit firm to be recognized as a Recognized PIE auditor. In this regard, the overseas equity issuers

had been reminded to plan their application ahead and allow sufficient time to seek the SNO from the Exchange and obtain the FRC's approval for recognition as a Recognized PIE auditor. The Committee also noted that the Exchange had issued FAQs on recognition of overseas audit firms under the new regulatory regime.

https://en-rules.hkex.com.hk/sites/default/files/net_file_store/new_rulebooks/f/a/FAQ_059-067-2019.pdf

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

PAUL LAU
CHAIRMAN

29 October 2019