



Minutes of the 380th Meeting of the Auditing and Assurance Standards Committee

Date: Thursday, 12 March 2020 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 (dial-in)
Mr. Ivan Chan (dial-in)
Prof. Koon-Hung Chan
Ms. Hildy Chan (dial-in)
Mr. Paul Hebditch (dial-in)
Ms. Fanny Hsiang (dial-in)
Ms. Susanna Lau (dial-in)
Mr. Gary Stevenson (dial-in)
Miss. Basilia Wong

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

Observer: Ms. Cynthia Leung, Financial Reporting Council

Action

2902. Welcome New Members and Committee Composition for 2020

The Chairman welcomed Prof. Koon-Hung Chan, Ms. Hildy Chan and Ms. Fanny Hsiang as new members of the Committee.

As precautionary measures against the coronavirus outbreak, several members participated the meeting through video/teleconference.

2903. Guidance Note on General Confidentiality Rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers.

2904. Terms of Reference

The Committee considered and agreed that the existing terms of reference would still be appropriate.

2905. Meeting Schedule for 2020

The Committee noted the meeting dates for 2020.

2906. Minutes of the 379th Meeting

The Committee approved and the Chairman signed the minutes of the 379th meeting.

2907. Proposed Work Plan for 2020

The Committee considered the proposed work plan for 2020 and agreed that Standard Setting Department ("SSD") would:

- maintain a convergence agenda with IAASB on the consultation and adoption of new and revised IAASB pronouncements; and
- develop or update local guidance for local regulatory requirements and to align with latest auditing, assurance and related services pronouncements.

The Chairman and Executive Director also highlighted the following:

- The Committee with the support of SSD would continue the active involvement in IAASB's standards development activities, such as participating in information gathering activities, roundtables, national standard setters meetings;
- The Committee had set up various sub-committees, advisory panels and working groups, with the support of SSD, to develop necessary guidance relevant to auditing and assurance engagements, and carry out outreach on issues identified; and
- While the Financial Reporting Council is the oversight body for regulating auditors of public interest entities from October 2019, the Institute would remain as the statutory standard setter and regulator of the accountancy profession in Hong Kong.

2908. IAASB information gathering activities on audit evidence

The Committee noted IAASB's information gathering activities on audit evidence and SSD's preliminary analysis on relevant issues identified by IAASB. The Committee provided preliminary comments for SSD's consideration.

The Committee agreed that members with auditing experience would provide further comments offline. SSD would prepare a draft response for the Committee's consideration and endorsement before submitting to IAASB in due course.

SSD

2909. IFAC's publication "Achieving High-Quality Audits"

In February 2020, IFAC issued an article setting out its recommendations for achieving high-quality audits. The article had been included in the Institute's February TechWatch for members' attention.

(Link to the article: <https://www.ifac.org/what-we-do/speak-out-global-voice/points-view/achieving-high-quality-audits>)

The Committee discussed the article and providing the following comments:

- in addition to the recommendations in the article, a committee member suggested that the role of education and firms' commitment to work-life balance for employees should be considered as appropriate processes to achieve high-quality audits.
- a committee member considered the multidisciplinary firm initiative would enhance audit quality due to knowledge spillover among disciplines, while IFAC found it beneficial to audit quality as firms could hire and retain people with different talents.
- while the number of prior year's restatements could be an indicator of

audit quality, members also agreed that restatements in some circumstances could be attributable to reasons other than audit quality.

The Committee suggested SSD to develop a separate publication in local context on high-quality audits based on IFAC's recommendations. SSD noted the suggestion and would consider the next course of action.

SSD

2910. HKSA 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatement

In December 2019, the IAASB released ISA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* and Conforming and Consequential Amendments to Other International Standards. As part of the international convergence programme, the Committee approved the adoption of ISA 315 (Revised 2019) and endorsed the converged HKSA 315 (Revised 2019) for final issuance, subject to copyright clearance from IFAC.

[Post meeting note: HKSA 315 (Revised 2019) Identifying and Assessing Risks of Material Misstatement and Conforming and Consequential Amendments to other Hong Kong Standards was issued on 31 March in Members' Handbook Update 237 and is available at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Members-Handbook-and-Due-Process/HandBook/Updates/Update-No-237>

2911. Exposure drafts on AATB 3 (Revised) Implementation Guidance on Revised Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 400 Comfort Letters and Due Diligence Meetings, and HKSIR 500 (Revised) Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness

The Accountants' Report Sub-Committee had proposed revisions to AATB 3 and HKSIR 500 to provide guidance on implementation issues arising from the new financial reporting standards.

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

[Post meeting note: The exposure drafts were issued on 18 March for one month comment period and is available at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance>

2912. HKMA's consultation on revised Supervisory Policy Manual module IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance" ("SPM IC-3")

In response to HKMA's consultation on SPM IC-3, the Institute's Banking Regulatory Advisory Panel had developed a comment letter which was submitted to HKMA in January 2020.

The Committee noted and ratified the comment letter so submitted to HKMA.

2913. Any Other Business

- In view of the coronavirus outbreak, the Committee had convened a working group to provide guidance for members on specific issues which might pose an impact on a client's business and audit. An alert was issued in February and was emailed to all HKICPA members.

[The alert is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/Financial-Reporting-Auditing-and-Ethics-Alert/alert32a.pdf]

- Due to the absence of a single, globally recognised sustainability reporting framework, professional accountants providing assurance over ESG information in Hong Kong would generally apply the requirements in HKSAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. In view of the development of ESG reporting in Hong Kong, the Chairman suggested convening a working group to develop guidance on ESG reporting under HKSAE 3000 (Revised) in local context. The Committee agreed with the proposal and would nominate ESG reporting experts from their firms to join the working group.

There being no further business, the meeting closed at 9:50 a.m.

PAUL LAU
CHAIRMAN

31 March 2020