



Minutes of the 402nd Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 19 July 2022 at 8:30 a.m.
- Location: Conference Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via videoconference)
- Present: Mr. Paul Hebditch (Chairman)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Mr. Edmond Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Tony Ching (dial-in)
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Mss. Basilia Wong (dial-in)
Mr. Thomas Wong (dial-in)
Mr. William Wong (dial-in)
- In attendance: Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Senior Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Ms. Tracy Chan, Financial Reporting Council (dial-in)
- Apologies: Mr. Derek Broadley (Deputy Chairman)
Ms. Susanna Lau

3074. Minutes of the 401st meeting

The Committee approved the minutes of the 401st meeting.

3075. Work plan status report and update from working groups

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

3076. Update on IAASB LCE project

The Committee noted that the IAASB LCE Reference Group had a virtual meeting on 30 June to discuss areas relating to application of the LCE standard, including description of a "typical LCE" and other relevant characteristics, inclusion of quantitative threshold(s), examples of accounting estimates, etc. In addition, it was considered that a group audit might apply LCE standard if it met the characteristics of a typical LCE group.

Action

The Chairman remarked that there were still certain open areas in the LCE standard that would require the IAASB to further clarify and refine before the proposed finalization of the standard in 2023. SSD would keep the Committee posted on the development of the LCE standard.

Furthermore, the Committee requested SSD to prepare an implementation plan for adopting the LCE standard in the local context in due course, including refining the definition and other characteristics of a LCE (if necessary), etc., and consider to include the tentative timetable in the next year's work plan which would be subject to issuance of the final LCE standard by the IAASB.

SSD

3077. Exposure Draft Proposed Narrow Scope Amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and ISA 260 (Revised), Communication with Those Charged with Governance, as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs) (“proposed amendments to ISA 700 (Revised) and ISA 260 (Revised)”)

SSD reported to the Committee that the Institute had issued an invitation to comments in relation to the IAASB exposure draft on the proposed amendments to ISA 700 (Revised) and ISA 260 (Revised) in July to solicit comments from local stakeholders by 4 September. SSD highlighted to the Committee that the proposed amendments would support the operationalization of IESBA's transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where applicable.

SSD remarked that the proposed amendments would result in additional disclosure requirements to firms performing audit engagements of listed entities and PIEs and hence encouraged the Committee members to solicit feedback on the exposure draft with their internal stakeholders and provide comments to SSD to prepare the draft comment letter for the Committee's consideration in due course.

3078. Approval for the exposure draft PN 851 (Revised), Reporting on the Annual Financial Reports of Non-Governmental Organisations

SSD thanked PN 851 Task Force's input on reviewing the draft PN 851 (Revised) and briefed the Committee of the key changes to the revised draft. The Committee provided the following comments:

- Example auditor's assurance report: SSD to clarify with Social Welfare Department (“SWD”) if inclusion of the first paragraph regarding the audited financial statements of the non-governmental organisation would be necessary according to the SWD's lump sum grant manual.
- Management representations: SSD to consider if the representations in the extant PN 851 should be retained in this section.
- Other editorial comments.

SSD would follow up the above-mentioned matters and circulate a final draft PN 851 (Revised) for the Committee's review in due course.

SSD

[Post meeting note: SSD clarified with SWD, addressed the Committee's comments on the draft PN 851 (Revised) and circulated the final draft for the Committee's approval on 25 July. Invitation to comment on the exposure draft on PN 851 (Revised) was posted on the Institute's website on 11 August for one-month consultation period and is available at https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/pn851ff.pdf]

3079. Approval for the exposure draft AATB 3 (Revised) Implementation Guidance on Revised Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 400 Comfort Letters and Due Diligence Meetings

SSD thanked the Investment Circular Reporting Advisory Panel for participating at the various liaison meetings with the sponsors/lawyers group, as well as providing comments on revising the AATB 3. SSD provided the Committee with a brief summary on the key changes to the revised AATB 3. The Committee also noted that the table in appendix 3 to AATB 3 (Revised) covered a complete list of transactions that were anticipated by the sponsors including certain types of transactions that normally would not require the reporting accountants to issue comfort letter under HKSIR 400 or agreed-upon procedures report under HKSRS 4400 (Revised).

The Committee considered the AATB 3 (Revised) and approved to issue the exposure draft for one-month consultation period.

[Post meeting note: Invitation to comment on the exposure draft on AATB 3 (Revised) was posted on the Institute's website on 19 July for one-month consultation period and is available at https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/ab3_i2cf.pdf]

3080. Proposed agenda for the Annual Auditing Update Conference

The Committee noted the Annual Auditing Update Conference would be held virtually in the morning of 29 October. The virtual conference would take place at the Institute's premises. The conference would also be recorded and released as an e-learning at a later date for members' subscription.

The Committee considered the proposed topics and further recommended the following topics for SSD's consideration:

- An introduction of the new quality management manual to be included in the session for local updates.
- FRC Inspection findings and suggested improvement areas or how these link to the new quality management standards/ manual.

The Chairman welcomed the Committee to nominate speakers for the conference.

3081. Any other business

The Committee noted that the next meeting would be held on 20 September and was requested to suggest any agenda items by 30 August.

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

PAUL HEBDITCH
CHAIRMAN

9 September 2022