



Minutes of the 420th Meeting of the Auditing and Assurance Standards Committee

Date: Tuesday, 15 October 2024 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 (and via videoconference)

Present: Mr. Paul Hebditch (Chairman)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Ms. Elaine Chang (dial-in)
Mr. Tony Ching (dial-in)
Ms. Caroline Chiu (dial-in)
Mr. Deric Chiu (dial-in)
Mr. Louis Lau (dial-in)
Mr. Charbon Lo (dial-in)
Ms. Joan Ng (dial-in)
Mr. William Wong (dial-in)
Ms. Winnie Yau (dial-in)

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

Apologies: Mr. Thomas Wong (Deputy Chairman)

Observer(s): Ms. Tracy Chan, Accounting and Financial Reporting Council (dial-in)
Ms. Kristin Ko, Accounting and Financial Reporting Council (dial-in)

3219. Minutes of the 419th meeting

The Committee approved the minutes of the 419th meeting.

3220. Work plan status report and update from working groups

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

(A member of the Securities Regulatory Advisory Panel ("SRAP") who is also the chair of PN 820 (Revised) Drafting Team joined the meeting at this juncture.)

3221. Exposure draft on proposed PN 820 (Revised), The Audit of Licensed Corporations and Associated Entities of Intermediaries

Action

The chairman thanked the SRAP member for joining the meeting to discuss the proposed revisions.

The Committee noted that in consultation with the regulator, PN 820 (Revised) was revised to reflect the amendments to the subsidiary legislation and SFC Codes and Guidelines implementing the Regulatory Regime for Depositaries of SFC-authorized Collective Investment Schemes which came into effect on 2 October 2024. To facilitate members' understanding of the changes to PN 820 (Revised), an event highlighting the key changes would be conducted in due course.

SSD informed the Committee that some comments on the draft PN 820 (Revised) were received prior to the meeting and had been shared with the Drafting Team and SRAP for consideration. A revised draft incorporating the comments, where appropriate, would be circulated to the Committee for consideration and approval after the meeting.

The Committee considered the proposed revisions and enquired if the proposed changes were considered controversial and would lead to practical challenges for the reporting period ending on 31 December 2024. The SRAP member indicated that the proposed revisions were straightforward as the definitions in the keeping of record rules, the client securities rules and the client money rules driving the changes in PN 820 (Revised) were clear and were not expected to lead to major practical issues.

The Committee further enquired if a reference to the regulation was appropriately positioned in the revised PN 820 (Revised). The SRAP member and SSD clarified that the concerned reference was irrelevant and would be removed from the revised draft PN.

A member indicated that additional comments would be provided to SSD after the meeting for consideration by the SRAP and Drafting Team.

The Committee also discussed the duration of the consultation period and concurred that a one-month consultation would be appropriate.

(The SRAP member left the meeting and the chair of the Insurance Regulatory Advisory Panel ("IRAP") joined the meeting at this juncture.)

[Post-meeting note: The revised draft PN was circulated to the Committee for approval on 23 October. The exposure draft on the revised PN was issued on 29 October and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/2024/820b.pdf].

3222. **Exposure draft on proposed (a) PN 810.2 (Revised), The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance and (b) PN 620.2, Communication between the Auditor and the Insurance Authority**

The chairman thanked the chair of IRAP for joining the meeting to discuss the proposed revisions.

The Committee noted that in consultation with the regulator, PN 810.2 (Revised) and PN 620.2 were revised as a result of the Insurance (Amendment) Ordinance 2023 and the subsidiary legislation for the implementation of the new risk-based capital regime.

SSD informed the Committee that some comments on the draft PN 810.2 (Revised) and PN 620.2 were received prior to the meeting and had been shared with IRAP and the RBC Reporting Task Force for consideration. A revised draft incorporating the comments would be circulated to the Committee for consideration and approval after the meeting.

The Committee considered the proposed revisions and enquired if the proposed changes were considered controversial and would lead to practical challenges for the reporting period ending on 31 December 2024. The chair of IRAP indicated that the regulatory reporting requirement was considered straightforward and acceptable. For certain areas where the regulator would like to focus on, those areas have also been covered in the PNs. In addition, the chair of IRAP remarked that the guidance in the PNs were developed with reference to the scope of work performed for long-term insurers who have early adopted the RBC regime as approved by the regulator. To facilitate members' understanding of the changes to PN 810.2 (Revised), an event highlighting the key changes would be conducted in due course.

The Committee further enquired, and SSD clarified that certain paragraphs had been removed in the PN as they were repetitive.

A member indicated that additional comments would be provided to SSD after the meeting for consideration by the IRAP and RBC Reporting Task Force.

Furthermore, the Committee discussed the duration of the consultation period and concurred that a one-month consultation would be appropriate.

(The chair of IRAP left the meeting at this juncture.)

[Post-meeting note: The revised exposure draft PNs were circulated to the Committee for approval on 24 October. The exposure drafts were issued on 31 October and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/i2c81026202.pdf].

3223. Exposure draft on proposed HKSA 505, External Confirmations

The Committee noted that HKSA 505 was revised to include proposed local guidance on receiving bank confirmations through e-mails.

SSD informed the Committee that some comments on the proposed HKSA 505 were received prior to the meeting and had been shared with the Bank Confirmations Task Force for consideration. A revised draft incorporating the

comments would be circulated to the Committee for consideration and approval after the meeting.

It was also confirmed at the meeting that:

- The proposed revisions to HKSA 505 aimed at providing additional guidance for auditors to receive bank confirmations via emails in response to changes in market practice.
- The principles of sending and receiving bank confirmations by auditors remained unchanged and were aligned with the international standard. Auditors receiving bank confirmations via emails would still need to ensure the reliability of the response to the confirmation requests as currently required under the extant standard.

Furthermore, the Committee discussed the duration of the consultation period and concurred that a one-month consultation would be appropriate.

3224. Any other business

The next meeting would be held on 13 November and the Committee was requested to suggest any agenda items by 23 October.

SSD expressed gratitude to the chairman and the committee members for chairing and presenting at the Annual Auditing Update Conference to be held on 26 October.

In addition, SSD also informed the Committee that a series of webinars entitled "Towards an Effective and Efficient Audit" were scheduled in October/November covering topics such as audit sampling, journal entries testing, external confirmations, auditing opening balances, and related parties. The webinars were aimed at highlighting and elaborating the relevant requirements with practical examples where appropriate to prepare auditors for the upcoming audit season.

There being no further business, the meeting closed at 9:20 a.m.

PAUL HEBDITCH
CHAIRMAN

5 November 2024