



Minutes of the 423rd Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 25 February 2025 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) (dial-in)
Mr. Louis Lau (Deputy Chairman) (dial-in)
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. Tony Leung
Mr. Charbon Lo (dial-in)
Ms. Joan Ng (dial-in)
Mr. William Wong (dial-in)
Ms. Winnie Yau (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, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Ms. Kristin Ko, Accounting and Financial Reporting Council

3240. Committee composition for 2025

The Committee welcomed the new member, Mr. Tony Leung to the Committee, and also recorded a vote of thanks to the retiring member, Mr. Thomas Wong for his contribution to the Committee during the tenure of his services.

3241. Guidance note on general confidentiality rules

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

3242. Terms of reference

The Committee considered and approved the terms of reference ("ToR").

Action

3243. Performance expectation of chairman and members

The Committee noted the expectation on the performance of the chair and Committee members.

3244. Meeting schedule for 2025

The Committee noted the meeting dates for 2025.

3245. Committee's induction pack

The Committee noted the information contained in the induction pack including the operational procedures for the Committee's meetings, overview of the audit and assurance standard-setting function in Hong Kong, SSD's activities and communication channels with stakeholders, etc.

3246. Standard operating procedure for auditing and ethics standard setting ("SOP")

The Committee noted that the SOP was updated to include, among other things, the criteria for prioritizing international projects and the extent of activities carried out by SSD. The Committee considered and approved the proposed amendments to the SOP.

3247. ToRs and member lists of groups

The Committee considered and approved the ToRs and member lists of various groups for 2025.

3248. Strategic direction and proposed work plan for 2025 – 2027

SSD briefed the Committee with an overview of the proposed work plan for 2025 – 2027. The Committee considered the proposed work plan for 2025 – 2027 and agreed that it met the Institute's strategic direction.

3249. Proposed HKSSA 5000, General Requirements for Sustainability Assurance Engagements and Conforming and Consequential Amendments to Other HKICPA Standards Arising from HKSSA 5000

The Committee considered the convergence of HKSSA 5000 and the accompanying impact analysis. Subject to the editorial comments on the impact analysis, the Committee approved the issuance of HKSSA 5000, the impact analysis, and the launch of the proposed implementation support activities. The Committee was requested to provide nominations for speakers and facilitators to conduct the training sessions.

In addition, the Committee agreed with the SSD's proposal to assign the Sustainability Assurance Advisory Panel ("SAAP") the task of updating AATB 5, *Environmental, Social and Governance (ESG) Assurance Reporting* for the enhanced climate-related disclosures outlined in the HKEX's Environment, Social and Governance Reporting Code. The Committee also approved the

approach to revise HKSSA 5000 to incorporate the AATB 5 guidance within the local context.

[Post meeting note: HKSSA 5000 and the impact analysis were issued on 10 March in Members' Handbook Update [No. 324](#) and are available [here](#).]

3250. Proposed Hong Kong Standard on Auditing for Audits of Financial Statements of Less Complex Entities (“HKSA for LCE”), the accompanying Basis for Conclusions and the proposed implementation support activities

The Committee considered the proposed HKSA for LCE, which includes localized requirements and guidance. Additionally, the Committee considered the accompanying Basis for Conclusions, which offers stakeholders background information and the rationale behind the localized requirements in the standard.

To ensure consistency with HKSA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, the Committee agreed to include the local mandatory disclosure requirements for the auditor's name and practicing certificate number in the auditor's report under the HKSA for LCE, without further consultation. They noted that the consultation conducted from November to December 2024 had already informed stakeholders about the principles and gathered their feedback regarding their incorporation into HKSA 700 (Revised). The incorporation of these requirements into the HKSA for LCE will proceed following the Committee's approval of the corresponding updates in HKSA 700 (Revised).

Furthermore, the Committee agreed to include an example auditor's report in accordance with the HKSA for LCE for audits of financial statements prepared under the Small and Medium-sized Entity Financial Reporting Standard in the Institute's Practice Note 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard*. This addition will provide guidance and support for the implementation of the HKSA for LCE.

Recognizing that the HKSA for LCE does not include illustrative modified opinions, which are addressed in a separate publication by the International Auditing and Assurance Standards Board (“IAASB”), the Committee was asked to provide input on whether local laws or regulations, such as the Companies Ordinance, might impact modifications to the auditor's opinion for entities in Hong Kong.

After careful consideration, the Committee approved the HKSA for LCE and the accompanying Basis for Conclusions, subject to editorial changes discussed during the meeting. The Committee also agreed on the proposed implementation activities to facilitate the rollout of the standard, which are anticipated to occur following the publication of the HKSA for LCE, subject to the availability of resources.

3251. IAASB project on audit evidence and risk response

The Committee noted the IAASB’s project on audit evidence and risk response, which aims to enhance audit quality by revising several International Standards on Auditing (“ISAs”). Recognizing that the project involves a holistic review of existing standards, and a fundamental review of significant audit principles, as well as an emphasis on enhancing the application of professional judgment and skepticism exercised by auditors, the Committee agreed to assign a ‘High’ priority to this project. They also agreed on the scope of relevant outreach activities in response to the IAASB’s anticipated consultation in December 2025.

Given the project’s extensive scope, the Committee agreed to establish a specialized advisory panel to provide input on the IAASB’s consultation and support the implementation of the final pronouncement. The Committee was requested to submit nominations with the appropriate expertise to join the advisory panel.

3252. IAASB’s post-exposure consultation on its listed and public interest entities project

The Committee noted that the IAASB has released a post-exposure consultation on its listed entity and public interest entities project. This consultation revises the differential requirements, such as engagements subject to an engagement quality review and replacing listed entities with publicly traded entities in the communication of key audit matters, in International Standards on Quality Management and ISAs.

Given the narrow scope of the post-exposure consultation, the Committee agreed to assign a ‘Medium’ priority to this project and decided to solicit stakeholder feedback through an invitation to comment, rather than extensive outreach activities. To stakeholder engagement, the Institute’s invitation to comment issued on 13 February includes HKICPA’s impact analysis on the potential effects of the IAASB’s post-exposure consultation.

Additionally, the Committee was requested to provide input on the post-exposure consultation, which will be incorporated into the Institute’s submission to the IAASB.

3253. Proposed updates to Hong Kong Auditing and Assurance Pronouncements to align with the IAASB Handbook

The Committee considered the proposed changes to the Hong Kong auditing and assurance pronouncements and considered that they are primarily housekeeping in nature. The Committee endorsed the issuance of the revised pronouncements, subject to the editorial changes.

[Post meeting note: The revised pronouncements were issued on 18 March in Members’ Handbook Update [No. 326](#) and are available [here](#).]

3254. Proposed HKSA 700 (Revised), Forming an Opinion and Reporting on Financial Statements and Conforming and Consequential Amendments

to Other Hong Kong Standards on Auditing and Other Non-authoritative Materials

In response to the comments received during the consultation, the Committee reaffirmed its decision to limit the scope of mandatory disclosure requirements to auditor's reports issued under HKSA 700 (Revised), including the HKSA 800 series. The Committee noted that this decision was clearly articulated in the explanatory memorandum and the Basis for Conclusions ("BOC"), which will be published alongside the updated HKSA 700 (Revised).

The Committee considered the updated HKSA 700 (Revised), which incorporated the mandatory disclosures, as along with other auditing and assurance pronouncements that incorporated conforming and consequential amendments, as well as the BOC. The Committee approved the issuance of these documents, subject to clarifying an explanation under the decision section of the BOC and other editorial changes.

[Post meeting note: The revised pronouncements and the Basis for Conclusions were issued on 18 March in Members' Handbook Update No. [No. 326](#). The revised HKSA 700 (Revised) is available [here](#) and the Basis for Conclusions is available [here](#).]

3255. Proposed AATB 7, Determining Guidance on Assurance Engagements and Agreed-upon Procedures Engagements

The Committee considered the revised draft of AATB 7 and approved to release it, subject to agreement by the General Reporting Advisory Panel ("GRAP") on the suggested revisions. The Committee was requested to provide nominations for speakers to conduct the training sessions.

[Post meeting note: The revised draft of AATB 7 was circulated to the GRAP on 25 February and the suggested revisions were agreed upon. The AATB 7 was issued on 7 March and is available [here](#).]

3256. Revised Circular on Reporting under Rule 4.2 and Rule 4.4 relating to Net Asset Requirement and Rule 4.6 relating to Investment Requirements of the New Capital Investment Entrant Scheme ("CIES Circular")

The Committee considered the revised CIES Circular, which was updated based on the enhanced measures of the underlying scheme, and approved its issuance.

[Post meeting note: The revised CIES Circular was issued on 28 February and is available [here](#).]

3257. Technical training offerings on audit and assurance

The Committee considered the technical training plan developed by SSD, which is informed by recent standard-setting developments and feedback from participants in the Institute's technical training sessions held in 2024.

The Committee was requested to provide nominations for speakers and facilitators to conduct the relevant training sessions.

3258. Any other business

The Committee considered and approved to issue the final revised PN 860.1, *The Audit of Retirement Schemes*.

The next meeting will be held on 25 March and the Committee was requested to suggest any agenda items by 4 March.

[Post meeting note: The revised PN 860.1 was issued on 28 February in Members' Handbook Update [No. 323](#) and is available [here](#).]

There being no further business, the meeting closed at 11:11 a.m.

PAUL HEBDITCH
CHAIRMAN

18 March 2025