



Minutes of the 223<sup>rd</sup> meeting of the Ethics Committee held on Thursday, 17 May 2012 at 10:30 a.m. in the Conference 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. Raphael Ding (Chairman)  
Mr. Raymond Cheng  
Mr. Edmand Cheung  
Ms. Susanna Cheung  
Mr. Philip Fung  
Mr. Jonathan Russell Leong  
Mr. Alden Leung  
Ms. Grace Ma  
Dr. Artie Ng  
Ms. Jacqueline Wong  
Ms. Virginia You  
Ms. Monica Yu (represented by Florence Au)

In attendance: Mr. Chris Joy, Executive Director  
Ms. Selene Ho, Associate Director, Standard Setting  
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Raymond Kong (Deputy Chairman) and Mr. Amirali Nasir.

**1531. Welcome to new members and Committee composition for 2012**

The Chairman welcomed Mr. Edmand Cheung, Mr. Philip Fung, Mr. Jonathan Russell Leong and Dr. Artie Ng as new members to the Committee and recorded a vote of thanks to past members, Mr. Ringo Chiu, Dr. Eric Fok and Mr. Kenny Tam for their contributions.

**1532. Guidance note on general confidentiality rules**

The Chairman drew members' attention to the guidance note on the general confidentiality rules in relation to minutes and agenda papers of the Council and Committees appointed by the Council.

**1533. Minutes of the 222<sup>nd</sup> Meeting**

The minutes of the 222<sup>nd</sup> meeting were approved by the Committee and signed by the Chairman.

**1534. Proposed meeting schedule for 2012**

The Committee agreed that meetings would be arranged as and when required in line with the work plan.

Action

**1535. Terms of Reference and Proposed Work Plan for 2012**

The Committee considered and endorsed the Terms of Reference and Work Plan for 2011.

The key projects under the Work Plan were:

- (i) To maintain a concurrent agenda with that of IESBA

The Committee noted the following activities to be undertaken by IESBA in 2012:

- Rotation – The IESBA will consider firm rotation and also whether the position of the IESBA Code on partner rotation remains appropriate, including whether the requirement to rotate off the audit engagement after serving seven years as a key audit partner and observe a two-year time-out period continues to be appropriate.

Given the significance of the issue, the Committee advised the SSD to perform desktop research on the issue to facilitate deliberation and consideration by the Committee when the Exposure Draft is issued by IESBA.

- Non-assurance services – The IESBA will consider whether the Code's position on non-assurance services remains appropriate, including the use of materiality, and if so, whether guidance should be provided for applying the materiality test. If certain non-assurance services are permitted, the IESBA might also consider whether they should be subject to pre-approval by those charged with governance, restricted in size in relation to the audit fee, or publicly disclosed.
- Structure of the Code – The IESBA will determine how to increase the visibility of the requirements and prohibitions in the Code and clarify who is responsible for meeting them.
- Part C of the Code – The IESBA will determine whether recent corporate accounting irregularities reveal ethical implications for professional accountants in business (PAIBs) and whether part C of the Code should be strengthened to provide PAIBs with more guidance and support.
- Responding to a Suspected Illegal Act – The IESBA will determine how a professional accountant should respond to a suspected illegal act. The IESBA anticipates approving an Exposure Draft at its June meeting.

The Committee noted that the IESBA is conducting a survey to companies on its proposal to strengthen safeguards that would apply if an auditor has breached an independence rule.

SSD

(ii) To consider local guidance

- To keep track of other countries' development on the adoption of the latest IFAC Code of Ethics for Professional Accountants in relation to the identification of Public Interest Entities; and to consider updating the HKICPA Code, if necessary.
- To monitoring the progress on the Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) project and to consider the adoption of the UK Code of Ethics for Reporting Accountants in Hong Kong.

The Committee also agreed to include outreaching to the Small and Medium Practitioners (SMPs) on their adoption of the Code as part of the work plan.

**1536. IESBA Exposure Draft of Proposed Change to the Definition of "Engagement Team"**

The Committee approved the draft submission prepared by the Standard Setting Department for submission to the IESBA.

*Post meeting note: The submission was provided to IESBA on 18 May 2012 and is available at [http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/ethics/submission/defteam.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/ethics/submission/defteam.pdf).*

**1537. Vote of thanks**

The Chairman advised that this was his last meeting as Chairman to the Committee. The Committee gave a vote of thanks to the Chairman for his contributions and participations during his term of service.

There being no further business, the meeting closed at 11:35 a.m.

RAPHAEL DING  
CHAIRMAN

22 May 2012