

**Ethics Committee**  
**Meeting Summary – June 2005**

The Ethics Committee (Committee) met on 7 June 2005.

Members of the Committee present were: Mark Fong (Chairman), Doug Oxley (Deputy Chairman), Chew Fook Aun (Deputy Chairman), Eric Fok, Alex Lai, Quinn Law, Lucia Li, Rita Liaw, Sheila Pattle, Keith Pogson and Christopher To.

Secretariat staff present were: Stephen Chan (Executive Director) and Elaine Chan (Assistant Director, Standard Setting).

The Committee discussed the following items:

1. Proposed Work Plan for 2005
2. IFAC Ethics Committee Meeting – 13-14 June 2005
3. Statement of Professional Ethics in Insolvency
4. Professional Ethics Statement 1.207A “Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong”

1. **Proposed Work Plan for 2005**

The Committee considered and approved, subject to certain amendments, the Work Plan for 2005 which is aimed at achieving convergence with the IFAC Code of Ethics and development of supplementary local guidance.

2. **IFAC Ethics Committee Meeting – 13-14 June 2005**

The Committee discussed the following:

a. **Network Firm**

The majority of the members who were present were of the view that clause (a)(i) of the proposed definition of “network firm” should be expanded to cover firms that give the public at large a perception that they belong to a larger structure so as to avoid a perceived threat to independence. It was considered that for a firm to be considered as a non-network firm, it must not make association with any network.

b. **IFAC Ethics Committee Strategy**

The Committee noted that the IFAC Ethics Committee would consider including in its terms of reference an objective of promoting and facilitating convergence of international and national ethical standards.

c. **Equivalent Standards**

The Committee noted that this item sought to define what parts of the IFAC Code would need to be incorporated into the standards of a national jurisdiction for that jurisdiction to state that it has equivalent standards as the IFAC Code. The majority of the members who were present considered that the Institute should not support the exclusion of any part of the IFAC Code in defining “equivalent standards” since the Institute had adopted a policy of full convergence with international standards.

d. Independence

The Committee noted that the IFAC Ethics Committee proposed changes to Section 290 "Independence For Assurance Engagements" and a consultation paper would be included in the pre-reading material for the Ethics Forum which would be held in October 2005.

e. Accountants in Government

The Committee noted the proposed change in the scope of the project to cover assurance engagements performed in the public sector irrespective of whether the engagement is performed by a professional accountant in government or a professional accountant in public practice.

f. Ethics Forum

The Committee noted that an Ethics Forum would be held in Brussels in October 2005.

**3. Statement of Professional Ethics in Insolvency**

The Committee considered briefly a draft revised Statement of Professional Ethics in Insolvency prepared by the Insolvency Practitioners Committee (IPC) which sought to update the existing Statement 1.203 (Supp.) "Integrity, objectivity and independence in insolvency".

The Committee had certain general comments concerning the consistency with the proposed revised IFAC Code which the Institute plans to adopt upon its finalisation and agreed that the draft proposed Statement should be referred back to the IPC for revision when the proposed revised IFAC Code is finalised.

The Committee noted that the proposed Statement set out certain examples of the application of the fundamental principles that are specifically relevant to insolvency practitioners. It was considered that the Committee would consider whether it would be appropriate to include the examples in Section 290 when the Institute adopts the proposed revised IFAC Code.

**4. Professional Ethics Statement 1.207A "Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong"**

The Committee ratified the issuance of Professional Ethics Statement 1.207A as a final statement effective from 1 June 2005 which was earlier approved by the Committee by circulation.

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**Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.**