



Minutes of the 389th Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 16 February 2021 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:
- Ms. Loretta Fong (Chairman)
 - Mr. Paul Hebditch (Deputy Chairman)
 - Ms. Susanna Lau (Deputy Chairman)(dial-in)
 - Mr. Derek Broadley
 - Mr. Edmund Chan (dial-in)
 - Prof. Koon-Hung Chan
 - Mr. Ivan Chan (dial-in)
 - Mr. Tony Ching (dial-in)
 - Ms. Angela Choi (dial-in)
 - Mr. Louis Lau (dial-in)
 - Mr. Gary Stevenson (dial-in)
 - Mr. William Wong (dial-in)
 - Ms. Basilia Wong (dial-in)
 - Mr. Thomas Wong (dial-in)
- In attendance:
- Mr. Chris Joy, Executive Director
 - Ms. Cecilia Kwei, Director, Standard Setting
 - Ms. Selene Ho, Deputy Director, Standard Setting
 - Ms. Grace Lau, Manager, Standard Setting
 - Ms. Phoebe To, Manager, Standard Setting
- Observer: Ms. Cynthia Leung, Financial Reporting Council (dial-in)

Action

2966. Welcome new members and committee composition for 2021

The Chairman welcomed Mr. Tony Ching, Ms. Angela Choi, Mr. Louis Lau and Mr. William Wong as new members of the Committee.

The Committee recorded a vote of thanks to retiring chair, Mr. Paul Lau and retiring members, Ms. Hildy Chan, Ms. Fanny Hsiang and Mr. Steve Ong for their contributions to the Committee during the tenure of their services.

2967. Guidance note on general confidentiality rules

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

2968. Terms of reference

The Committee considered proposed amendment to the terms of reference to reflect the Committee's scope of work to include responding to requests for comments or information on auditing and assurance matters from other standard setting or regulatory bodies and agreed that it was appropriate.

2969. Terms of reference and member lists of sub-groups

Members noted that various sub-groups were set up under the auspices of the Committee on specific auditing and assurance matters and considered their existing terms of reference appropriate. To streamline the operation, each sub-group would consist of not more than one representative from the same organisation.

Members also noted SSD's proposal to set up a new working group on the proposed revision to Practice Note 851 *Review of the Annual Financial Reports of Non-governmental Organisations*. The Committee was requested to nominate appropriate personnel to join the working group.

2970. Meeting schedule for 2021

The Committee noted the meeting dates for 2021.

2971. Minutes of the 388th Meeting

The Committee approved the minutes of the 388th meeting.

2972. Strategic direction and proposed work plan for 2021

The Committee considered the strategic direction and agreed that Standard Setting Department (SSD) would:

- maintain a convergence agenda with the International Auditing and Assurance Standards Board (IAASB) on consultation and adoption of new and revised IAASB's pronouncements; and
- develop or update local guidance for local regulatory requirements and to align with latest auditing, assurance and related services pronouncements.

SSD provided an overview of the proposed work plan for 2021. The meeting also discussed the following:

- The International Ethics Standards Board for Accountants (IESBA) had issued an exposure draft *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity* for public comments. While the Institute's Ethics Committee would approve the Institute's comment letter on the exposure draft, SSD welcomed comments from members and would circulate the draft comment letter to the Committee in due course.
- In December 2020, the Financial Reporting Council (FRC) had issued the interim inspection report on common audit quality findings. It was reported that the Institute would consider FRC's findings and the Institute's current training offerings on relevant topics. Where necessary, input would be sought from the Committee.

SSD

2973. Update on IAASB LCE project

The Committee noted the IAASB's approval to develop a separate standard for audits of financial statements of Less Complex Entities (LCE) and anticipated an exposure draft of the standard later this year.

Upon the IAASB's exposure draft publication, the Committee would consider setting up a separate working group to develop comments.

2974. FRC’s assessment of HKICPA’s performance of specified functions

In December 2020, the FRC issued its first assessment report of the Institute’s performance of specified functions. SSD provided an overview of FRC’s findings and recommendations relating to the Committee, in particular on the composition of the Committee and criteria for selecting committee members.

In response to the FRC’s comments, a proposed list of desired qualifications and expectations from candidates (draft criteria) would be considered for future Committee’s appointments. The draft criteria was prepared with reference to the IAASB/ IESBA criteria for nominations. Members had the following comments:

- Despite a formal documentation of candidate’s criteria had not been in place, the Committee had been well composed in recent years with representations from CPA firms of various sizes, technical personnel and relevant regulators.
- Members had the following comments on the draft criteria:
 - To add a remark that while no individual member might be qualified for all desired criteria, the Committee’s composition as a whole would enable it to qualify collectively given its diversity in experiences and thoughts.
 - To broaden the draft criteria that candidates should:
 - understand the interaction of auditing and related disciplines such as finance and technology; and
 - process knowledge on auditing research.

The Committee also noted that the proposed amendments to *Standard Operating Procedures of Standards Setting – Auditing & Ethics* to enhance consistent application in due process. In relation to operating procedures on development of local pronouncements, a member suggested adding a process to indicate the “initiator/ driver” for the local project.

SSD

2975. Any Other Business

- In December, the Institute issued AATB 5 *Environmental, Social and Governance (ESG) Assurance Reporting* to provide guidance on assurance engagements on ESG information. AATB 5 had been well-received by the Institute’s Council as well as international and local professional bodies. To publicize AATB 5, SSD had hosted a webinar in January on ESG assurance reporting in Hong Kong and had converted it as an on-demand e-seminar. The Committee agreed to continue its efforts to encourage companies to obtain assurance on ESG information.
- The Committee was requested to provide topics for the next meeting’s agenda by 2 March.

There being no further business, the meeting closed at 9:40 a.m.

LORETTA FONG
CHAIRMAN