



Minutes of the 323rd meeting of the Auditing and Assurance Standards Committee held on Tuesday, 28 February 2012 at 8:30 a.m. in the Board 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. Dennis Ho (Chairman)
Mr. Derek Broadley (Deputy Chairman)
Mr. Colin Chau
Ms. Mabel Cheung
Mr. Ringo Chiu
Mr. John Chong
Mr. Jonathan Lai
Mr. Anthony Leung
Ms. Grace Ma
Dr. Phyllis Mo
Mr. Ian Parker
Mr. Thomas Wong
Mr. Charlix Wong
Mr. T. S. Chan (on behalf of Ms. Joyce Woo)

In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Selene Ho, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Gary Poon.

2486. Welcome to new members and Committee composition for 2012

The Chairman welcomed Mr. Ringo Chiu, Mr. Jonathan Lai, Mr. Anthony Leung, Dr. Phyllis Mo, Mr. Ian Parker, Mr. Gary Poon and Mr. Thomas Wong as new members of the Committee. The Committee recorded a vote of thanks to the retiring members, Mr. Jack Chow, Mr. Stephen Chan, Mr. Raymond Cheng, Mr. Alun Grassick and Mr. Keith Pogson for their contributions to the Committee during the tenure of their services.

2487. 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.

2488. Terms of Reference

The Committee considered and agreed the terms of reference which was brought forward from last year.

2489. Meeting Schedule for 2012

The Committee noted the meeting dates for 2012.

Action

	<u>Action</u>
<p>2490. <u>Minutes of the 322nd Meeting</u></p> <p>The minutes of the 322nd meeting were approved by the Committee, subject to some amendments and it would be signed at the next meeting.</p>	SSD
<p>2491. <u>AASC Work Plan 2012 – Status Report</u></p> <p>The Committee considered the status report of the Work Plan for 2012 and noted the progress made on the various projects.</p> <p>The Committee suggested the Standard Setting Department to prioritize and ensure adequate resources are available to meet the work plan. The key projects for 2012 were identified, which related to the development of guidance for members on:</p> <ul style="list-style-type: none"> (a) Guidance to the Auditor when Responding to Questions at an Annual General Meeting (b) Reporting under the Hong Kong Listing Rules for a Very Substantial Disposal by a Listed Issuer (c) Reporting on declared election expenses for Legislative Council Election Financial Assistance Scheme (d) Reporting under the Quality Education Fund (e) Hong Kong Statements of Investment Circular Reporting Standards project. 	SSD
<p>2492. <u>HKAPN 1000 Special Considerations in Auditing Financial Instruments</u></p> <p>The Committee considered and endorsed the issuance of HKAPN 1000, subject to receiving approval from IAASB.</p> <p>The Committee noted that according to the proposed revised agreement with IFAC for granting permission to reproduce, publish and distribute IFAC's copyrighted materials, the HKICPA is now required to provide IFAC with a draft of the reproduction for approval prior to publishing. The Committee requested the SSD to clarify with IFAC regarding the timing of the approval process and ensure that it would not bring about any delay on the issuance of the HKICPA's pronouncements.</p>	SSD SSD
<p>2493. <u>Amended "Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements" (HK Preface)</u></p> <p>The Committee considered the proposed Preface developed by the SSD and was concerned about the different authorities attached to the practice notes developed locally and that developed by IAASB. As drafted by the SSD in the revised draft HK Preface, locally developed practice notes were classified as authoritative pronouncements in line with the current "comply or explain" model used for practice notes; while for the practice notes adopted from the IAASB, they would be classified as non-authoritative material in accordance with the latest IAASB</p>	

Preface. The Committee considered that it was confusing to have different authority status for practice notes.

The Committee suggested that it was time for the HKICPA to revisit the structure of Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements. The Committee further recommended that the SSD should involve other relevant users of the HK Preface (e.g. regulators) in this discussion.

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In the interim, the SSD was requested to research on how other major jurisdictions would deal with the new structure set by IAASB.

2494. Auditing and Assurance Technical Bulletin (AATB) 2 Guidance to the Auditor when Responding to Questions at an Annual General Meeting

The Committee considered the latest draft of AATB 2 and provided comments. The key comment related to the example questions and answers attached at the Appendix of AATB 2. The Committee considered that most of the questions were too specific and would conflict with the guidance provided in paragraph 30 of AATB2, which stated that it was not appropriate for the auditor to address individual audit procedures or financial statements components. The Committee was also concerned about the wording in paragraph 9 which might extend the liabilities of the auditor beyond the requirement of the revised Code from which AATB 2 was developed. There were other comments from the Committee to fine tune the AATB 2. The SSD was requested to amend the AATB 2 accordingly and forward a revised draft for approval by circulation.

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The Committee also noted the legal opinion obtained in respect of an auditor's duty of care when responding to questions at an AGM. The Committee suggested the SSD to seek approval of the lawyer to post the legal opinion on the HKICPA's website to share information with members.

SSD

[Post meeting note: The AATB 2 was issued on 14 March 2012 after its approval by the Committee by circulation, and is available at: http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/techbull-circular/AATB2.pdf]

2495. Revised Comparison Table between Hong Kong and International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements as at 31 December 2011 (Comparison Table)

The Committee considered and endorsed the updated Comparison Table.

[Post meeting note: The revised Comparison Table was posted in the HKICPA's website on 29 February 2012 and is available at: http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/hksa-clarity-centre/2011/hksa-vs-isa2011.pdf]

There being no further business, the meeting closed at 10:28 a.m.

DENNIS HO
CHAIRMAN

14 March 2012



Hong Kong Institute of
Certified Public Accountants
香港會計師公會