



24 January 2020

To: Members of the Hong Kong Institute of CPAs
All other interested parties

INVITATION TO COMMENT ON IFAC'S INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS ("IESBA") EXPOSURE DRAFTS

Proposed Revisions to the Non-Assurance Services Provisions of the Code
Proposed Revisions to the Fee-Related Provisions of the Code

Comments to be received by 3 April 2020

The Ethics Committee of the Hong Kong Institute of Certified Public Accountants is seeking comments on the IESBA Exposure Drafts (EDs) which have been posted on the Institute's website at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Code-of-Ethics>

The EDs are aimed at strengthening the non-assurance services ("NAS") and the fee-related independence provisions of the [*International Code of Ethics for Professional Accountants \(including International Independence Standards\)*](#) ("the Code"). The EDs represent a key milestone in two major strategic commitments of the IESBA in its [current strategy and workplan](#).

Among the key changes proposed to the NAS provisions are:

- A prohibition on providing NAS to an audit client that is a public interest entity ("PIE") if a self-review threat to independence will be created;
- Further tightening of the circumstances in which materiality may be considered in determining the permissibility of a NAS;
- Strengthened provisions regarding auditor communication with those charged with governance ("TCWG"), including, for PIEs, a requirement for NAS pre-approval by TCWG; and
- Stricter requirements regarding the provision of some NAS, including certain tax and corporate finance advice.

The NAS ED also includes enhanced guidance to assist firms in evaluating the level of threats to independence when providing NAS to audit clients.

Among the key proposed changes to the fee-related provisions are:

- A prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client;
- In the case of PIEs, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period; and
- Communication of fee-related information to TCWG and to the public to assist their judgments about auditor independence.

The Fees ED also includes enhanced guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee.

The development of the proposals in the two EDs has benefited from cooperation with the International Auditing and Assurance Standards Board (“IAASB”) within the established coordination framework of the two Boards. The IESBA is strongly committed to continuing its engagement with the IAASB in finalizing the proposals.

The Ethics Committee welcomes comments on all matters addressed in the EDs, but especially those identified in the Request for Specific Comments as set out in Section VI Guide for Respondents of the Explanatory Memorandum to the EDs.

The Ethics Committee invites your comments on the EDs by **3 April 2020** to allow your comments to be considered in developing its response to the IESBA. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37/F., Wu Chung House
213 Queen's Road East
Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkicpa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

24 January 2020
Invitation to Comment

Response Due Date
3 April 2020

Exposure Drafts

Comment due date
extends to 4 May 2020

***Proposed Revisions to the Non-Assurance
Services Provisions of the Code***

and

***Proposed Revisions to the Fee-Related
Provisions of the Code***



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

CONTENTS

Exposure Drafts, *Proposed Revisions to the Non-Assurance Services Provisions of the Code* and *Proposed Revisions to the Fee-Related Provisions of the Code*

IESBA Press release

The Invitation to Comment can also be found on the Institute's website at:
<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Code-of-Ethics>



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