

Effective for audits of financial statements for periods  
beginning on or after 15 December 2024

*Hong Kong Standards on Auditing*

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**Narrow Scope Amendments to:**

- **HKSA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; and**
- **HKSA 260 (Revised), *Communication with Those Charged with Governance*,**

**as a Result of the Revisions to the  
HKICPA Code that Require a Firm to  
Publicly Disclose When a Firm Has  
Applied the Independence Requirements  
for Public Interest Entities (PIEs)**



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

NARROW SCOPE AMENDMENTS TO HKSA 700 (REVISED) AND HKSA 260 (REVISED) AS A RESULT OF THE  
REVISIONS TO THE CODE THAT REQUIRE A FIRM TO PUBLICLY DISCLOSE WHEN A FIRM HAS APPLIED THE  
INDEPENDENCE REQUIREMENTS FOR PIEs

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# **NARROW SCOPE AMENDMENTS TO HKSA 700 (REVISED) AND HKSA 260 (REVISED) AS A RESULT OF THE REVISIONS TO THE CODE<sup>1</sup> THAT REQUIRE A FIRM TO PUBLICLY DISCLOSE WHEN A FIRM HAS APPLIED THE INDEPENDENCE REQUIREMENTS FOR PIEs**

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<sup>1</sup> The HKICPA's *Code of Ethics for Professional Accountants*

## **HKSA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS**

(Effective for audits of financial statements for periods beginning on or after 15 December 2024)

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### **Requirements**

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### **Auditor's Report**

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*Auditor's Report for Audits Conducted in Accordance with Hong Kong Standards on Auditing*

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#### **Basis for Opinion**

28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)

...

- (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
  - (i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the HKICPA's *Code of Ethics for Professional Accountants* (the Code); ~~and~~ (Ref: Para. A34–A35~~9~~, A36–A37)
  - (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities; and (Ref: Para. A35A)

...

#### *Auditor's Report Prescribed by Law or Regulation*

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to Hong Kong Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)

- (a) ...

- (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
  - (i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the Code.
  - (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.
- (f) ...

...

## Application and Other Explanatory Material

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### Auditor's Report (Ref: Para.20)

...

#### Basis for Opinion (Ref: Para. 28)

...

#### Relevant ethical requirements (Ref: Para. 28(c))

- A34. The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. HKSA 200 explains that relevant ethical requirements ordinarily comprise the provisions of the Code related to an audit of financial statements.<sup>2</sup> When the relevant ethical requirements include those of the Code, the statement may also make reference to the Code. If the Code constitutes all of the ethical requirements relevant to the audit, the statement need not identify a jurisdiction of origin.
- A35. In some jurisdictions, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable in the jurisdiction), or may refer to a term that is commonly understood and that appropriately summarizes those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).

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<sup>2</sup> HKSA 200, paragraph A17

A35A. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in the Code. Relevant ethical requirements may also require or encourage the auditor to determine whether it is appropriate to apply such independence requirements to audits of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.<sup>3</sup>

HKSA 260 (Revised) sets out requirements and guidance about the auditor's communication with those charged with governance, which includes communications for these cases.<sup>4</sup>

- A36. Law or regulation, or the terms of an audit engagement may also require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those related ~~pertaining~~ to independence, that applied to the audit of the financial statements.
- A37. In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.

...

## Appendix

(Ref. Para A19)

...

**Illustration 1 – Auditor's Report for a Listed Entity Incorporated in Hong Kong and where the Financial Statements are Prepared in Accordance with Hong Kong Financial Reporting Standards**

**For purposes of this illustrative auditor's report, the following circumstances are assumed:**

- **Audit of a complete set of financial statements of a listed entity using Hong Kong Financial Reporting Standards ("HKFRSs"). The audit is not a group audit (i.e., HKSA 600 (Revised) does not apply).**

...

<sup>3</sup> The Code, paragraphs R400.20-R400.21

<sup>4</sup> HKSA 260 (Revised), paragraphs 16A and A29

- The relevant ethical requirements that apply to the audit are those of the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants* ("the Code"). The Code includes independence requirements that are applicable to audits of financial statements of public interest entities. It also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial statements of public interest entities were applied.

...

## INDEPENDENT AUDITOR'S REPORT

To the Members of ABC Company

(incorporated in Hong Kong with limited liability)\*

### Report on the Audit of the Financial Statements<sup>5</sup>

...

#### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities, ~~and we~~ We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

...

#### Illustration 2 – Auditor's Report for a Listed Entity Incorporated in Hong Kong submitting Consolidated Financial Statements and where the Consolidated Financial Statements are Prepared in Accordance with Hong Kong Financial Reporting Standards

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of a listed entity using Hong Kong Financial Reporting Standards ("HKFRSs"). The audit is a group audit of an entity with subsidiaries (i.e., HKSA 600 (Revised) applies).

...

<sup>5</sup> The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

\* In Hong Kong, it is a common practice to disclose the place of incorporation of the company.

- **The HKICPA's Code of Ethics for Professional Accountants (the Code), comprises all of the relevant ethical requirements that apply to the audit. relevant ethical requirements that apply to the audit are those of the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants ("the Code"). The Code includes independence requirements that are applicable to audits of financial statements of public interest entities. It also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial statements of public interest entities were applied.**

...

...

## INDEPENDENT AUDITOR'S REPORT

To the Members of ABC Company

(incorporated in Hong Kong with limited liability)\*

### Report on the Audit of the Consolidated Financial Statements<sup>6</sup>

...

#### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

...

#### Illustration 6 – Auditor's Report for a Listed Entity Incorporated Overseas and reporting in Hong Kong

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using Hong Kong Financial Reporting Standards ("HKFRSs"). The audit is not a group audit (i.e., HKSA 600 (Revised) does not apply).**

...

<sup>6</sup> The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

\* In Hong Kong, it is a common practice to disclose the place of incorporation of the company.



- The relevant ethical requirements that apply to the audit comprise the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants* ("the Code") together with the ethical requirements relating to the audit in the jurisdiction, and the auditor refers to both. The Code includes independence requirements that are applicable to audits of financial statements of public interest entities. It also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial statements of public interest entities were applied.

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## INDEPENDENT AUDITOR'S REPORT

To the Members of ABC Company [or Other Appropriate Addressee]

(incorporated in [country or place] with limited liability)\*

### Report on the Audit of the Financial Statements<sup>7</sup>

...

#### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to ~~our~~ audits of the financial statements of public interest entities in [jurisdiction], ~~and we~~ We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

...

<sup>7</sup> The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

\* In Hong Kong, it is a common practice to disclose the place of incorporation of the company.

## HKSA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

(Effective for audits of financial statements for periods beginning on or after 15 December 2024)

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### Requirements

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### Matters to Be Communicated

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#### *Auditor Independence*

16A. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities. (Ref: Para. A29)

17. In the case of listed entities, the auditor shall communicate with those charged with governance:

- (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and
  - (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and
  - (ii) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats, or applying safeguards to reduce the threats to an acceptable level. (Ref: Para. A29A30–A32)

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### Application and Other Explanatory Material

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### Matters to Be Communicated

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*Auditor Independence (Ref: Para. 16A–17)*

A29. The auditor is required to comply with relevant ethical requirements, including those ~~pertain~~related to independence, relating to financial statement audit engagements,<sup>8</sup> and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in the HKICPA's *Code of Ethics for Professional Accountants* (the Code). If applicable in the circumstances of the audit engagement, this HKSA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities specified in the relevant ethical requirements.<sup>9</sup> HKSA 700 (Revised) addresses the requirements for the auditor's report relating to the auditor's independence and the relevant ethical requirements the auditor applied.<sup>10</sup>
- Require or encourage the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements.<sup>11</sup> If this is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

A30. The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the HKICPA's Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.<sup>12</sup>

A32. The communication requirements relating to auditor independence that apply in the case of listed entities may also be appropriate in the case of some other entities, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities. On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.

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<sup>8</sup> HKSA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

<sup>9</sup> See, for example, the public disclosure requirements in the Code, paragraphs R400.20–R400.21.

<sup>10</sup> HKSA 700 (Revised), paragraph 28(c)

<sup>11</sup> See, for example, encouragement in the application material in the Code, paragraph 400.19 A1.

<sup>12</sup> See, for example, paragraphs R400.80–R400.82 and R400.84 of the Code.