



Minutes of the 373rd Meeting of the Auditing and Assurance Standards Committee

- Date: Wednesday, 20 February 2019 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.
- Present: Mr. Paul Lau (Chairman)
Ms. Loretta Fong (Deputy Chairman)
Mr. Derek Broadley
Mr. Ivan Chan
Mr. Edmond Chan
Mr. Paul Hebditch
Mr. Frank Lam (Dial-in)
Mr. Gary Stevenson
Miss. Basilia Wong
Mr. Thomas Wong
Miss. Joyce Woo
- In attendance: Mr. Chris Joy, Executive Director
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Grace Lau, Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Apologies: Ms. Susanna Lau

Action

- 2854. Welcome New Members and Committee Composition for 2019**
- The Chairman welcomed Mr. Ivan Chan and Mr. Gary Stevenson as new members of the Committee.
- 2855. Guidance Note on General Confidentiality Rules**
- The Committee noted the general confidentiality rules in relation to minutes and agenda papers, its terms of reference, and 2019 meeting dates.
- 2856. Terms of Reference**
- The Committee considered and agreed that the existing terms of reference are still appropriate.
- 2857. Meeting Schedule for 2019**
- The Committee noted the meeting dates for 2019.

2858. Minutes of the 372nd Meeting

The Committee approved and the Chairman signed the minutes of the 372nd meeting.

2859. Proposed Work Plan for 2019

The Committee considered the proposed work plan for 2019 and agreed that Standard Setting Department ("SSD") would: a) maintain a convergence agenda with the IAASB on the consultation and adoption of new and revised IAASB pronouncements; and b) develop or update local guidance for local regulatory requirements and to align with latest auditing, assurance and related services pronouncements.

In addition, SSD would consider undertaking outreach activities on the revised auditor's reporting to highlight the 2017 and 2018 post implementation findings, particularly the reporting of key audit matters.

The Committee discussed whether it was necessary to update the Institute's Audit Practice Manual ("APM") to maintain convergence with the latest pronouncements. It was reported that the APM was last revised in 2016. There was a need to strike a right balance as to when it is an appropriate time to update the APM as external resources are required. As an alternative to a full update, a member suggested issuing supplements to the APM to address the latest pronouncements. The Committee requested SSD to assess the existing contents of the APM and consider the next course of action. SSD

2860. IAASB's Exposure Drafts of Quality Management for Firms and Engagements

On 8 February, the IAASB issued three interrelated exposure drafts that address quality management, namely Proposed ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (previously ISQC 1), Proposed ISQM 2, *Engagement Quality Reviews* and Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

The Committee noted the exposure drafts and was requested to send their comments to SSD. SSD would prepare a draft response for the Committee's consideration and endorsement before submitting to the IAASB.

SSD reported that outreach activities on the proposed quality management standards would be held in Q2 2019 for feedback on the exposure drafts. Committee members were invited to nominate participants such as key personnel in firms responsible for quality and risk management to SSD to join the outreach activities.

2861. Submission on IAASB's Exposure Draft of Proposed ISRS 4400 (Revised), Agreed-Upon Procedures Engagements

SSD reported that the local comment period for the exposure draft ended on 15 February 2019 and no comment was received.

The Committee noted the draft submission prepared by SSD and

provided comments. SSD would finalise the draft submission and circulate for the Committee's approval in due course. SSD

[Post meeting note: The submission to IAASB as approved by AASC is available at https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2019/Auditing/pdf_subISRS4400.pdf]

2862. Auditor's reporting in relation to the Product Eco-responsibility (Regulated Electrical Equipment) Regulation ("Regulation")

At the December meeting, the Committee agreed to set up a working group ("WG") to further discuss the reporting framework on the Regulation. The first meeting of the WG was held on 7 January 2019.

The Committee agreed the WG's proposed approach that: a) the reporting would be a reasonable assurance engagement under HKSAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; and b) SSD would develop a circular to provide guidance and illustrative auditor's report on the Regulation.

The Committee also discussed other matters in relation to the reporting, such as the application of materiality and the cut-off of regulated electrical equipment.

It was agreed that SSD would clarify with the Environmental Protection Department on certain requirements of the Regulation, and finalise the circular for the Committee's review and approval in due course. SSD

There being no further business, the meeting closed at 9:50 a.m.

PAUL LAU
CHAIRMAN

12 March 2019