



Minutes of the 413th Meeting of the Auditing and Assurance Standards Committee

- Date: Thursday, 14 December 2023 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: Mr. Paul Hebditch (Chairman)
Mr. Thomas Wong (Deputy Chairman) (dial-in)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Tony Ching (dial-in)
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Mr. Charbon Lo (dial-in)
Ms. Joan Ng (dial-in)
Ms. Sharon Tse (dial-in)
Ms. Basilia Wong (dial-in)
Mr. William Wong (dial-in)
- In attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Selene Ho, Deputy Director of Standard Setting
Ms. Grace Lau, Associate Director of Standard Setting
Ms. Cherry Yau, Associate Director of Standard Setting
Ms. Phoebe To, Manager of Standard Setting
- Apologies: Ms. Caroline Chiu
- Observer: Ms. Tracy Chan, Accounting and Financial Reporting Council
Ms. Kristin Ko, Accounting and Financial Reporting Council

3158. Minutes of the 411th meeting

The Committee approved the minutes of the 412th meeting.

3159. Work plan status report and update from working groups

The Committee considered the report and noted the progress of various projects with a few local projects to be carried forward to the next year as the projects were still work in progress.

The Committee noted that the following would be submitted to the Committee for review and approval at the first meeting in 2024:

Action

SSD

- (a) A draft auditor's report for reporting the current year-end engagements under preparation by the Insurance Regulatory Advisory Panel and the Insurance Authority. The report would be applicable during the transitional period as HKFRS 17 had become effective on 1 January 2023, while the new auditor's reporting requirements under the risk-based capital regime would only become effective on 1 July 2024.
- (b) Revised Hong Kong auditing and assurance pronouncements to align with the IAASB's 2022 Handbook.
- (c) Revised HKSIR 200, HKSIR 500 and AATB 3 as a result of the comments received from the post-implementation review of Hong Kong Engagement Standards as well as the proposed changes due to the updated China Securities Regulatory Commission (CSRC) filing requirements.

[Post-meeting notes:

- (a) The draft auditor's report and assurance report for transitional period were sent to the Insurance Authority for comment on 21 December 2023 and the Insurance Authority replied on 14 February 2024. The Insurance Regulatory Advisory Panel is considering the comments from the Insurance Authority.*
- (b) The revised Hong Kong auditing and assurance pronouncements were released in the Members Handbook Update No. 305 in January 2024 which is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update-305.pdf>.]*

3160. Update from the ISA for LCE Reference Group

SSD informed the Committee of the key messages from the LCE Reference Group meeting attended by SSD staff in early December, including the IAASB's proposed implementation materials, its outreach activities and the maintenance strategy.

In responding to a member's concern regarding the potential adverse impact on audit quality when auditors applied the ISA for LCE, SSD clarified that there would be no reduction in requirements related to audit procedures and audit evidence as compared to ISAs. SSD remarked that the ISA for LCE was a standalone standard with simpler language and structure, encompassing all audit requirements for a less complex entity while excluding those specific to a more complex entity, which includes a listed entity. In addition, firms having the system of quality management in place under the quality management standards would be able to maintain the audit quality when applying the ISA for LCE. The Chairman further commented that it could be considered as an alternative approach to audit less complex entities rather than a reduction approach of audit requirements. Therefore, it was anticipated that the audit quality would not be impacted by applying the ISA for LCE. The Committee recommended to emphasize the messages to stakeholders, in particular, the

small and medium-sized practitioners, regarding audit quality, when launching the HKSA for LCE.

The Committee also discussed that any implementation issues of the ISA for LCE would be captured by the IAASB's post-implementation review on a global basis (if any) or the local post-implementation review to be performed by SSD in the 2028 cycle, as the standard would be effective for audits of financial statements of LCEs for periods beginning on or after 15 December 2025 (i.e. for Dec 2026 year-end audits onwards).

3161. Composition of HKSA for LCE Advisory Panel

SSD thanked the Committee members for volunteering and providing nominations for the HKSA for LCE Advisory Panel (the "AP"). The Committee considered that the competency and expertise of the proposed five nominees were appropriate and approved the composition of the AP.

The Committee also noted the high level timeline relating to the refinement of the ISA for LCE for local adoption. The Committee suggested to extend the consultation period by two weeks up to mid-December 2024 to allow small and medium-sized practitioners to have sufficient time to provide comments on the exposure draft, given that the SMPs would be occupied with engagements to meet the tax deadlines in November 2024. SSD reminded that the extension of the consultation period might potentially lead to a shorter implementation period for the standard.

Furthermore, SSD shared with the Committee that based on the experience from the Public Interest Entities local refinement project, the timeline for the HKSA for LCE could be further extended by at least two to three months if the Accounting and Financial Reporting Council ("AFRC") were to provide comments on the local refinement exercise.

SSD would communicate with the AFRC for their expected involvement in the HKSA for LCE local refinement project, monitor the progress and report to the Committee for any updates to the timeline.

3162. Interaction of ISA 510 and ISA 710

As part of the follow-up actions of the local post-implementation review of Hong Kong Engagement Standards ("PIR") performed in March, the Committee noted the IAASB's clarification on the interaction of ISA 510 and ISA 710 with regard to the modified auditor's opinion under different contexts ("the matter"). The Committee discussed if any further action would be required in addition to obtaining the IAASB's clarification. SSD responded to the Committee stating that the conclusion reached during the March meeting was to seek clarification from the IAASB. At the March meeting, the Committee agreed with SSD's analysis, which deemed the matter not to be a major issue necessitating the development of local guidance. This decision was based on the fact that no similar technical enquiries were received during the PIR covering period, and therefore, there were no indicators suggesting that the matter was widespread in the auditing profession.

SSD informed that Committee that the next post-implementation review would be conducted in 2025.

3163. Report from HKICPA's representative on the MPFA Guidelines Committee

The Committee noted the report back from the Institute's representative on the MPFA Guidelines Committee as required by the Guidelines on Handling Invitation for External Appointments. The Committee noted Ms. Lin's written report and did not have any comments.

3164. Any other business

A member made a general comment that consideration be given to whether additional resources and support should be provided to accomplish the Committee's work plan considering the new and revised auditing and assurance standards and local reporting requirements being issued.

The meeting was the last scheduled meeting of the Committee in year 2023. The Chairman thanked the Committee members for their contributions and continuous support. The meeting recorded a vote of thanks to the Chairman for his leadership during the year.

There being no further business, the meeting closed at 9:30 a.m.

PAUL HEBDITCH
CHAIRMAN

19 February 2024