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

Minutes of the 431st Meeting of the Auditing and Assurance Standards Committee

Date: Thursday, 15 January 2026 at 9:00 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. Louis Lau (Chairman)
Mr. Ivan Au (Deputy Chairman)
Ms. Elaine Chang (dial-in)
Ms. Caroline Chiu
Mr. Deric Chiu (dial-in)
Mr. Tony Leung (dial-in)
Mr. Michael Li
Mr. Charbon Lo (dial-in)
Ms. Wing Tam
Ms. Angela Tsang
Mr. William Wong (dial-in)
Ms. Winnie Yau (dial-in)

In attendance:
Ms. Cecilia Kwei, Director, Standard Setting Department (SSD)
Ms. Selene Ho, Deputy Director, SSD
Ms. Grace Lau, Associate Director, SSD
Ms. Cherry Yau, Associate Director, SSD
Mr. Sam Chan, Manager, SSD
Ms. Phoebe To, Manager, SSD

Apologies: Ms. Joan Ng

Observer:
Ms. Lily Rui, Accounting and Financial Reporting Council (AFRC)
Ms. Tammy Lai, AFRC

Action

3331. Committee composition for 2026

The Committee welcomed the new members to the Committee and recorded a vote of thanks to the retiring members, in particular the former Chair, Mr. Paul Donald Hebditch for his leadership and contributions to the Committee during his tenure of service.

3332. Guidance note on general confidentiality rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers.

3333. Terms of reference

The Committee considered and approved the terms of reference (ToR).

3334. Performance expectation of chairman and members

The Committee noted the expectation on the performance of the chair and committee members.

3335. Meeting schedule for 2026

The Committee noted the meeting dates for 2026.

3336. Committee's induction pack

The Committee noted the information contained in the induction pack including the operational procedures for the Committee's meetings, overview of the audit and assurance standard-setting function in Hong Kong, SSD's activities and communication channels with stakeholders, etc.

3337. Standard operating procedure for auditing and ethics standard setting (SOP)

The Committee noted that the SOP was updated to include the amendments agreed by the Committee at its September 2025 meeting. Among other things, the amendments set out the revamped framework for adding local projects to the work plan, additional group composition criteria, and providing written updates from SSD to the Committee on high priority local projects. The Committee approved the revised SOP.

3338. ToRs and member lists of groups

The Committee considered and approved the ToRs and member lists of various groups for 2025.

3339. Strategic direction and proposed work plan for 2026 – 2028

SSD briefed the Committee with an overview of the proposed work plan for 2026 – 2028. The Committee considered the proposed work plan for 2026 – 2028 and agreed that it met the Institute's strategic direction.

For the virtual assets reporting project, given the specialized nature of the topic, a committee member recommended considering the use of external consultants to assist with future topics, if necessary.

3340. Updates to Hong Kong Auditing and Assurance Pronouncements to align with the IAASB Handbook

The Committee considered the proposed changes to the Hong Kong auditing and assurance pronouncements and considered that they are primarily housekeeping in nature. The Committee endorsed the issuance of the revised pronouncements, subject to the editorial changes.

[Post meeting note: The revised pronouncements were issued on 27 January in Members' Handbook Update No. 340 and are available here.]

3341. Local post-implementation review of Hong Kong Engagement Standards

The Committee considered the post-implementation review (PIR) results and approved SSD's proposals to continue educational initiatives, including highlighting the regulators' inspection findings and suggested improvement areas in technical training, where applicable. The Committee further suggested developing frequently asked questions (FAQs) to address common technical enquiries received on HKSA 700 (Revised). — SSD

3342. Updates from the Virtual Assets Reporting Advisory Panel

SSD provided an update on the development of the proposed Practice Note (PN) 831, *Reporting on Reserve Assets of Licensed Stablecoin Issuers under the Stablecoins Ordinance*. The Committee discussed several key drafting matters:

- **Reserve assets quality:** Members of the Virtual Assets Reporting Advisory Panel (VARAP) expressed concerns about the auditor's ability to perform procedures to assess whether the licensee's marketable debt securities held as reserve assets meet the "high liquidity" criteria specified by the Hong Kong Monetary Authority (HKMA). An initial proposal is to include an "Other Matter" paragraph in the assurance report to clarify the scope of the auditor's responsibilities, pending comments from the HKMA.

- **Materiality thresholds:** The Committee recommended removing the illustrative 5% materiality threshold, noting that materiality for the attestation report may be qualitative if using other factors and that bright-line quantitative guidance should be avoided.

- **Auditor roles:** Guidance was provided for situations where the reporting auditor is not the licensee's financial statements auditor, as well as situations where the reporting auditor is the financial statements auditor but has not yet completed the current-year audit. The guidance emphasizes obtaining up-to-date knowledge of the licensee's control environment relevant to the assurance engagement.

- **Reporting on shortfalls:** If the licensee's reserve report discloses that their reserve assets do not exceed the par value of the outstanding specified stablecoins in circulation, which are consistent with the facts and circumstances and the auditor has obtained sufficient appropriate evidence on the reserve report, the auditor does not modify its opinion. Instead, the auditor issues an unmodified opinion and includes an Emphasis of Matter paragraph to highlight this situation.

SSD will communicate the Committee's feedback to the VARAP to further refine the proposed PN. Committee members were requested to review the current draft and provide any additional comments to SSD by 23 January. — SSD / Committee

To align with the HKMA's anticipated approval of the initial batch of stablecoin issuers, SSD targets issuing the proposed PN 831 for public consultation in March.

[Post-meeting note: The Committee's feedback to the proposed PN 831 was communicated with the VARAP on 16 January.]

3343. Proposed Guidance Revisions to Support HKSA for LCE Implementation

SSD provided an update on the implementation support for the *Hong Kong Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (HKSA for LCE). Support initiatives include technical articles, FAQs, a dedicated audit manual, revisions to relevant practice notes and training sessions.

The Committee noted the proposed revisions to the following guidance materials:

- PN 600.1, *Reports by the Auditor under the Companies Ordinance (Cap. 622)*
- PN 900, *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRF & FRS)*
- AATB 4, *Guidance on Section 408 of the Companies Ordinance*

The proposed revisions expand the scope of the guidance to address audits performed under the HKSA for LCE and incorporate additional templates and illustrative auditor's reports for SME-FRF & FRS financial statements audited using the HKSA for LCE.

The Committee also reviewed a new illustrative auditor's report for consolidated financial statements prepared under a fair presentation framework and audited using the HKSA for LCE for insertion into the HKSA for LCE standard.

The Committee approved the proposed revisions to PN 600.1, PN 900 and AATB 4, as well as the new illustrative auditor's report. It was agreed that public consultation is not required, as the changes and the new illustrative auditor's report are conforming in nature, supplementary to existing materials and limited in scope.

[Post-meeting notes:

1. *The revised HKSA for LCE, PN 600.1 and PN 900 were released on 27 January in Members' Handbook Update No. 340 and are available here.*

2. *The revised AATB 4 was released on 30 January and is available here.]*

3344. Proposed Audit Training Curriculum

SSD presented a proposed audit training curriculum developed in response to oversight comments from the AFRC. The initial proposal mapped technical audit training courses to different career stages of an auditor.

The Committee noted that auditors' responsibilities vary depending on firm size and engagement type. It was suggested that the categorization of training courses be based on the functional roles of auditors—such as execution, review and leadership—rather than solely on career stage.

SSD will revisit the curriculum accordingly and coordinate with the Education and Training Department to ensure alignment with the Institute's competency framework. The updated curriculum will be circulated to the Committee for further review. SSD

3345. <u>Any other business</u>

The next meeting will be held on 12 February and the Committee was requested to suggest any agenda items by 22 January.

There being no further business, the meeting closed at 10:30 a.m.

LOUIS LAU
CHAIRMAN

5 February 2026