



Minutes of the 242nd meeting of the Ethics Committee held on Friday, 18 October 2019 at 2:30 p.m. in 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. Johnson Kong (Chairman)  
Ms. Piera Ho (Deputy Chairman)  
Mr. Alex Cheng (Dial-in)  
Ms. Lily Chung  
Ms. Lai Wai Shan  
Ms. Susanna Lau  
Mr. Horace Ma  
Mr. Alec Tong
- In attendance: Ms. Margaret Chan, Chief Executive and Registrar  
Mr. Chris Joy, Executive Director  
Ms. Christina Ng, Director, Standard Setting  
Ms. Tracy Wong, Director, Admission  
Ms. Selene Ho, Deputy Director, Standard Setting  
Mr. Norman Chan, Associate Director, Standard Setting  
Ms. Grace Lau, Manager, Standard Setting  
Ms. Phoebe To, Manager, Standard Setting  
Ms. Florence Wong, Financial Reporting Council
- Apologies: Mr. Andrew Fan  
Mr. Dennis Fullgrabe  
Mr. Allan Hepburn  
Mr. Poon Chi Li  
Dr. Thomas So

Action

**1663. Welcome and Minutes of the 241<sup>st</sup> Meeting**

The Chairman welcomed Ms. Florence Wong, representative from the Financial Reporting Council ("FRC") as an observer of the meeting. With effect from 1 October 2019, the FRC had assumed full responsibility for auditors performing engagements for public interest entities ("PIEs"). Under the Statement of Protocol between the HKICPA and FRC, representative from FRC would sit on the HKICPA Ethics Committee as an observer.

The Committee approved and the Chairman signed the minutes of the 241<sup>st</sup> meeting.

**1664. Update on IESBA meeting in September 2019**

In September, staff of SSD had attended the IESBA meeting as technical advisor to Mr. Alden Leung, a member on the IESBA. The Committee was updated on key topics discussed at the meeting such as non-assurance services; fees; tax planning; Part 4B ISAE 3000 alignment and technology.

The Committee noted that Mr. Leung would finish his term in December.

**1665. Draft submission on IESBA's Exposure Draft on Proposed Revisions to the Code to Promote Role and Mindset Expected of Professional Accountants ("ED")**

SSD reported that the local comment period for the ED ended on 30 September. Comments were received from the Institute's Small and Medium-sized Practitioners Committee and Professional Accountants in Business Committee. SSD had considered and incorporated their comments into the draft submission as appropriate.

The Committee noted the draft submission prepared by SSD and provided comments for SSD's consideration. SSD would revise the draft submission and circulate to the Committee for approval in due course. SSD

*[Post meeting note: The comment letter was submitted to IESBA on 31 October and is available at: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03\\_Our-views/PCD/2019/ethics/subrole\\_pdf.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2019/ethics/subrole_pdf.pdf)]*

**1666. Research findings relating to section 900.13 of Chapter C in the revised Code**

SSD reported the research findings on the offering of commission or referral fees by practicing members as currently set out in section 900.13 of Chapter C of the Code. The research involved reviewing the history of relevant provision; comparing the ethics requirements on payment and receipt of referral fee or commission with different jurisdictions and professions; considering the implementation guidance issued by the Institute and relevant disciplinary actions.

The Committee considered the research findings and requested SSD to clarify if the extant provision is only in relation to audit engagement. The Chairman requested SSD to collect comments from relevant stakeholders internally such as committees, interest groups etc. before considering the next course of action.

**1667. Members' survey on ethics issues**

The Committee considered a draft ethics survey developed to understand the ethical perception amongst local professional accountants and identify areas with higher risk of ethical non-compliance and topics which would warrant further outreach activities. In developing the draft, SSD had considered ethics studies carried out in other jurisdictions.

The Committee provided comments on the draft survey. SSD would revise the contents and dispatch the survey to the Institute's members by November. Survey results would be analysed and presented to the Committee in due course. SSD

**1668. Revision to Statement 1.500 Continuing Professional Development**

Ms. Tracy Wong, Director of Admission presented the proposed revisions to Statement 1.500 *Continuing Professional Development* which was revised to:

- conform to the revised International Education Standard (IES) 7 issued in December 2018;
- reflect the general power or discretion for the Institute to impose continuing professional development (“CPD”) requirements on former members applying for restoration of membership or issuance of a practicing certificate; and
- conform to the Institute’s *Code of Ethics for Professional Accountants* revised in November 2018.

The Committee noted that the Institute’s Professional Development Committee and Registration and Practising Committee had reviewed the proposed revisions to the Statement. Open consultation on the revisions had not been considered necessary as the changes would not alter the Institute’s CPD requirements or policy.

The Committee approved the proposed revisions to Statement 1.500 which would take effect on 1 December 2019, the beginning of the next CPD reporting year.

*[Post meeting note: Statement 1.500 (Revised) Continuing Professional Development was issued on 22 October 2019 in Members’ Handbook Update 233 and is available at: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/volume1/1\\_500.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/volume1/1_500.pdf)]*

There being no further business, the meeting closed at 3:50 p.m.

JOHNSON KONG  
CHAIRMAN

7 November 2019