



Minutes of the 246th meeting of the Ethics Committee held on Tuesday, 2 March 2021 at 12:30 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 (and via video conference)

- Present: Mr. Horace Ma (Chairman)
Mr. Alan Au (Deputy Chairman)(Dial-in)
Mr. Stephen Chan (Dial-in)
Mr. Alex Cheng (Dial-in)
Mr. Allan Hepburn
Ms. Anna Lam
Ms. Clara Ng (Dial-in)
Mr. Jerry Poon (Dial-in)
Ms. Helen Tang (Dial-in)
Mr. Alec Tong
Ms. Mary Xuereb
- In attendance: Mr. Chris Joy, Executive Director
Ms. Elaine Chung, Director, Membership and Admission
Ms. Cecilia Kwei, Director, Standard Setting
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
- Observer: Mr. Ambrose Wong, Financial Reporting Council (Dial-in)
- Apologies: Ms. Careen Wong

Action

1695. Welcome new members and committee composition for 2021

The Chair welcomed Mr. Alan Au, Ms. Clara Ng and Ms. Mary Xuereb as new members of the Committee. The Committee recorded a vote of thanks to retiring members, Ms. Piera Ho, Mr. Dennis Fullgrabe, Ms. Lai Wai Shan and Mr. Wilfred Wong for their contributions to the Committee during the tenure of their services.

1696. Guidance note on the general confidentiality rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers of the Council and committees appointed by the Council.

1697. Meeting schedule for 2021

The Committee noted the meeting dates for 2021.

1698. Minutes of the 245th meeting

The Committee approved the minutes of the 245th meeting.

1699. Terms of Reference

Members noted that proposed changes were made to the Committee's Terms of Reference (TOR) to reflect its function, as delegated by the Council, to set appropriate standards of Continuous Professional Development (CPD) requirements in compliance with the relevant International Education Standards (IES) issued by International Federation of Accountants (IFAC).

The Committee discussed the proposed changes to the TOR and noted that at the Institute's level, there had been a holistic discussion on the Institute's CPD administration arrangement involving several committees. The Committee agreed that it might need to revise the TOR subject to the Institute's finalisation of the discussion on CPD administration arrangement. In this regard, the proposed changes were considered temporary in nature. The Committee agreed that it would revisit the changes and consider further changes, if necessary later upon further advice from Council.

1700. Strategic direction and work plan for 2021

The Committee considered and agreed the Institute's proposed strategic direction for 2021 to:

- Maintain convergence between the Institute's *Code of Ethics for Professional Accountants* (Code) and the IESBA's *International Code of Ethics for Professional Accountants (including Independence Standards)*(IESBA Code)
- Monitor and promote the implementation of the Code among professional accountants in Hong Kong
- Identify and address local implementation needs

SSD provided an overview of the proposed work plan for 2021. The Committee noted the following:

- From time to time SSD would launch webinars, e-learning, etc. to address training needs and promote the application of the Code. Also, the Institute had established collaboration with other professional bodies who had extended their training offerings and resources to HKICPA members.
- The Institute's Quality Assurance Department had been working on the requirements on professional ethics relevant to anti-money laundering and counter-terrorist financing compliance for accounting professionals as Chapter G of the Code, taking the comments and concerns solicited in the consultation last year. The proposed Chapter G would be presented for the Committee's consideration and approval in due course.

1701. FRC's assessment of HKICPA's performance of specified functions

In December 2020, Financial Reporting Council (FRC) issued its first assessment report of the Institute's performance of specified functions. SSD provided an overview of FRC's findings and recommendations relating to the Committee, in particular on the composition of the Committee and post-implementation reviews (PIR) policy of professional standards.

In response to FRC's comments, a proposed list of desired qualifications and expectations from candidates (draft criteria) would be considered for future Committee's appointments. The draft criteria were prepared with reference to the IAASB/ IESBA criteria for nominations. Members had the following comments:

- To incorporate the diversity principle in the draft criteria
- To enhance and take up in the draft criteria the needs and attributes of professional accountants in business in the context of the Committee
- To include caveats that a member appointed might not necessarily fulfill all criteria. Members agreed that while no individual member might be qualified for all desired criteria, the Committee's composition as a whole would enable it to qualify collectively given its diversity in experiences and thoughts.

SSD also proposed a formal policy on PIR of standards for posting on the HKICPA website under Members' Handbook Due Process. This would be in line with the approach taken by the IESBA. SSD would generally focus on PIR in line with the IESBA's work plan.

1702. Working Group for Educational Materials

SSD proposed to set up the Working Group for Educational Materials (WG) under the auspices of the Committee to provide support in developing educational materials on application issues of the Code.

Members agreed the setting up of the WG. Members considered that the educational materials developed would benefit a wide range of stakeholders and advocate to the general public the high ethical standards HKICPA members uphold. Members were also cognizant that the work of the WG should serve part of the purpose of PIR as discussed under 1701.

Members were requested to nominate appropriate personnel to participate in the WG.

1703. Revision to Statement 1.500 Continuing Professional Development

Director of Membership and Admission presented the proposed revisions to Statement 1.500 *Continuing Professional Development* to incorporate the requirements under IES 8 *Professional Competence for Engagement Partners Responsible for Audit of Financial Statements* (Revised). The proposed change was a response to the assessment by FRC to include all CPD requirements applicable to registered public interest entities (PIE) auditors in the relevant professional standards. The proposed changes had been reviewed by the Institute's Registration and Practising Committee.

The Committee approved the proposed revisions to Statement 1.500

which would take immediate effect.

[Post meeting note: Revisions to Statement 1.500 (Revised) were issued on 5 March 2021 in Members' Handbook Update 256 and is available at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Members-Handbook-and-Due-Process/HandBook/Updates/Update-No-256>]

1704. Convergence of the revisions to the IESBA Code addressing the objectivity of an engagement quality reviewer and other appropriate reviewers

In January 2021, the IESBA issued revisions to the IESBA Code addressing the objectivity of an engagement quality reviewer and other appropriate reviewers.

As part of the international convergence programme, SSD had incorporated the IESBA's revisions into the HKICPA Code for local adoption. The Committee endorsed SSD's converged revisions to the Code for final issuance.

[Post meeting note: The converged pronouncement was issued on 22 April in Members' Handbook Update No. 260 and is available at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Members-Handbook-and-Due-Process/HandBook/Updates/Update-No-260>]

1705. A.O.B.

The Chairman encouraged members to chair ethics related CPD activities which would enhance their understanding on the training needs of HKICPA members and the application of ethics standards in Hong Kong. SSD would circulate the convening dates of the respective CPD activities in advance for Members knowledge and solicitation of their interests in chairmanships.

The Committee noted the date of the next meeting and was requested to provide suggestions for discussion by 14 May.

There being no further business, the meeting closed at 2:20 p.m.

HORACE MA
CHAIRMAN

28 MAY 2021