



Minutes of the 247th meeting of the Ethics Committee held on Monday, 7 June 2021 at 12:30p.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)(Dial-in)
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. Careen Wong (Dial-in)
Ms. Mary Xuereb
- In attendance: Mr. Chris Joy, Executive Director
Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Mr. Ambrose Wong, Financial Reporting Council (Dial-in)

Action

1706. Minutes of the 246th meeting

The Committee approved the minutes of the 246th meeting.

1707. Work Plan Status Report

The Committee considered the report and noted progress of various projects. The meeting noted the following:

- The Institute had resumed the face-to-face workshop for new auditors in March and scheduled the workshop for audit managers/seniors in-charge in June. Each workshop would last for three days and include of a two-hour session on ethics for professional accountants through facilitator's presentation and interactive case study. While the Committee welcomed provision of trainings by workshop, a member suggested to identify other delivery models such as using video clips to promote the ethical requirements and reach out to more members. The Committee also noted that the following:
 - The Institute had been offering a range of trainings to members at all levels including topics on ethics;
 - The Working Group for Educational Material under the auspices of the Committee would undertake an evaluation on the Institute's existing training offerings on ethics (Item 1709 below); and
 - Liaison with learning resources providers was in progress to identify ethics training opportunities (such as e-learning)

appropriate for members.

- In April, the Committee approved the Exposure Draft of the proposed Chapter G of *Code of Ethics for Professional Accountants* (“HKICPA Code”) on *Professional Ethics Relevant to Anti-Money Laundering and Counter-Terrorist Financing Compliance for Accounting Professionals*. Subsequent to the approval, the Institute met with a group of CPAs to explain the proposed requirements and made editorial revisions to the Exposure Draft to address comments received at the meeting: (1) to state the definition of professional accountants in business in the glossary; and (2) to clarify that matters in relation to the Institute’s constituents that are directly regulated by other anti-money laundering and counter-terrorist financing regulators in Hong Kong would be excluded from the Institute’s monitoring work.
- The Committee noted that the Financial Reporting Council (“FRC”) recently released the Annual Inspection Report on its inspection of listed entity audits. It was noted the FRC’s findings were similar to the Institute’s practice review findings as well as those identified by regulators in other jurisdictions. While the Institute would continue to strengthen the technical competency of practitioners through education particularly on areas identified by post-implementation reviews, the Committee observed that issues such as workload of auditors would have a bearing on audit quality.

1708. Members’ survey on ethics issues

The Committee discussed the upcoming ethics survey scheduled in November. The objective is to understand the ethics issues among professional accountants in Hong Kong, identify areas with higher risk of ethical non-compliance and topics which would warrant further education or outreach activities.

The ethics survey was last conducted in 2019. Members agreed that the upcoming survey would build on the questions used in 2019 and suggested to incorporate additional questions such as their views and understanding on recent changes to the ethical requirements, implementation issues arising from those changes and what actions were taken by members to implement the changes. Survey results would be compared against the responses solicited in 2019.

A member suggested to consider communicating the results of the survey to members and consider appropriate actions to address the issues identified.

SSD would develop a draft of the survey for the Committee’s consideration at the next meeting.

1709. Working Group for Educational Materials

The Committee noted the proposed nominations to the Working Group for Educational Materials (“WG”) and had comments on the proposed terms of reference. It was suggested that the WG to collaborate with the education department of the Institute on training offerings and initiatives and the proposed terms of reference of the WG be amended to reflect

such collaboration. It was agreed that the WG should meet to discuss while keeping the nomination for more members to join open.

SSD would revise the WG's proposed terms of reference for the Committee's approval in due course.

[Post-meeting note: The first meeting of the WG was held on 16 June. The Committee approved the revised terms of reference of the WG on 25 June by circulation.]

1710. Update on IESBA's National Standard Setters Meeting

In May 2021, the Chair of the Committee and Institute's representatives attended the National Standard Setters virtual meeting held by the International Ethics Standards Board for Accountants ("IESBA") and joint IESBA and International Auditing and Assurance Standards Committee meeting. The Committee was updated on key topics such as IESBA tax planning and related services project, the IESBA technology initiative and update from the Monitoring Group.

1711. Convergence of the Non-Assurance Services and fee-related provisions to the HKICPA Code

In April 2021, the IESBA issued revisions to the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* on non-assurance services ("NAS") and fee-related provisions. The Committee noted SSD's convergence of the revisions to the HKICPA Code and endorsed them for final issuance.

The Committee noted that SSD would update Ethics Circular 1 *Guidance for Small and Medium Practitioners on the Code of Ethics for Professional Accountants* to align with the revised NAS and fee-related provisions. Members were welcome to suggest additional FAQ for incorporation into Ethics Circular 1 to provide guidance to practitioners, including matters relating to the NAS and fee-related provisions.

[Post meeting note: The converged NAS and fee-related provisions were issued on 25 June in Members' Handbook Update No. 263 and is available at <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update263.pdf>]

1712. A.O.B.

- The Committee noted that FRC would conduct an on-site visit to the Institute to review HKICPA's performance of the specified functions, including ethics standard setting for PIE auditors.
- The Committee noted the date of the next meeting and was requested to provide suggestions for discussion by 19 August.

There being no further business, the meeting closed at 1:50 p.m.

HORACE MA
CHAIRMAN

27 August 2021