



## Minutes of the 349<sup>th</sup> Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 17 February 2015 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.
- Present: Mr. Eric Tong (Chairman)  
Mr. Paul Phenix (Deputy Chairman)  
Ms. Sylvia Cheng  
Mr. Ringo Chiu  
Miss. Siu Mai Chow  
Ms. Loretta Fong  
Mr. Paul Hebditch  
Mr. Paul Lau  
Dr. Phyllis Mo  
Mr. Steve Ong  
Mr. Chi Kit Shaw  
Mr. Thomas Wong  
Mr. Anthony Wong  
Ms. Joyce Woo
- In attendance: Mr. Chris Joy, Executive Director  
Ms. Selene Ho, Associate Director, Standard Setting  
Ms. Phoebe To, Manager, Standard Setting
- Apologies: Mr. Jonathan Lai

### Action

**2678. Welcome New Members and Committee Composition for 2015**

The Chairman welcomed Ms. Sylvia Cheng, Ms. Loretta Fong, Mr. Paul Hebditch and Mr. Anthony Wong as new members of the Committee. The Committee recorded a vote of thanks to retiring members, Mr. Dennis Ho, Mr. Patrick Law and Ms. Grace Ma for their contributions to the Committee during the tenure of their service.

**2679. Guidance Note on General Confidentiality Rules**

The Chairman drew members' attention to the guidance note on the general confidentiality rules in relation to minutes and agenda papers of the Council and Committees appointed by the Council.

**2680. Terms of Reference**

The Committee considered and agreed that the existing terms of reference are still appropriate.

**2681. Meeting Schedule for 2015**

The Committee noted the meeting dates for 2015.

**2682. Minutes of the 348<sup>th</sup> Meeting**

The Committee approved and the Chairman signed the minutes of the 348<sup>th</sup> meeting.

**2683. Proposed Work Plan for 2015 and Update from Working Groups**

The Committee considered the proposed work plan and noted that the key projects for the year including convergence with the new and revised Auditor Reporting Standards issued by the International Auditing and Assurance Standards Board (IAASB); and updating the auditing pronouncements as a result of HKSAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* which will be effective for assurance reports dated on or after 15 December 2015.

Committee members were requested to send their comments to the Standard Setting Department (SSD) by mid-March 2015 on the recent exposure draft on ISA 800 (Revised), *Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 (Revised), *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*,

The Chairman of the Accountants' Report Sub-Committee provided an update on the progress of the proposed HKSIR 100 *Investment Reporting Standards Applicable to Engagements in connection with Investment Circular* and proposed HKSIR 200 *Accountants' Reports on Historical Financial Information in Investment Circulars*. The exposure drafts on these pronouncements are expected to be issued after further discussion on outstanding issues with the key stakeholders in March 2015.

**2684. International Education Standard (IES) 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)**

The Committee noted the issuance of IES (Revised) 8 by the International Accounting Education Board in December 2014. The effective date of IES 8 (Revised) is 1 July 2016.

The Committee discussed and provided some comments on the new competency requirements for engagement partners, and how to implement and enforce this pronouncement in practice. Committee members were requested to provide any additional comments to the Institute.

**2685. New and Revised Auditor Reporting Standards issued by the IAASB**

The Committee noted that the IAASB has issued the new and revised Auditor Reporting standards in January 2015 which would be effective for audits of financial statements for periods ending on or after 15 December 2016. The SSD had started the converging process.

The Committee considered that engagement with stakeholders in Hong Kong was important. The fundamental changes in the auditor's report should be highlighted and communicated to the regulators, auditors of listed companies and clients of practicing members. It was suggested a

draft engagement plan with various stakeholders should be developed for discussion at the next meeting. SSD

The Committee also discussed the feasibility of firms early adopting these pronouncements and considered that it would be very challenging for the auditors to early adopt these pronouncements as this might involve extensive planning and preparation work.

**2686. PN 810.2 (Revised) The Duties of the Auditor of an Insurer authorized under the Insurance Companies Ordinance**

The Committee noted that the comment period for the exposure draft of PN 810.2 (Revised) ended on 30 January 2015. No comment was received. The Committee endorsed the final issuance of PN 810.2 (Revised).

*[Post meeting note: PN 810.2 (Revised) was issued on 27 February 2015 in Members' Handbook Update 166 and is available at: [http://app1.hkicpa.org.hk/hksaebk/HKSA\\_Members\\_Handbook\\_Master/updates/update166.pdf](http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update166.pdf)]*

**2687. Revised PN 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules**

PN 740 had been revised as a result of the amendments to the Listing Rules relating to continuing connected transactions. The amendments came into effect on 1 July 2014.

The Committee considered and endorsed the issuance of the exposure draft on revised PN 740 for one month comment period.

*[Post meeting note: Exposure draft PN 740 (Revised) was issued for comment period until 27 March 2015 and is available at: [http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Audit-n-assurance/ed-2015/edpn740rev.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/ed-2015/edpn740rev.pdf)]*

**2688. Implication on the Auditor's Report for Non-consolidation of Financial Statements prepared in accordance with the New Companies Ordinance**

The Committee was updated on an implementation issue currently being considered by the FRSC Companies Ordinance Application Issues (Financial Reporting) Working Group (WG) regarding the preparation of consolidated financial statements under the new Companies Ordinance (Cap. 622) (CO).

One of these implementation issues is where the company is exempted from consolidation under section 379(3) of CO but is not exempted from such requirement under HKFRS and whether the company level financial statements of such company can be said to be complying with the relevant accounting standards. This may have an implication on the audit opinion.

It was agreed that the Committee would not conclude on this issue until after the FRSC WG has concluded on the question of "applicable accounting standards.

2689. **Accounting Bulletin (AB) 6 Guidance on the Requirements of Section 436 of the Hong Kong Companies Ordinance Cap.622 "Requirement in connection with Publication of 'Specified Financial Statements' and 'Non-Statutory Accounts'"**

The Committee noted the exposure draft on AB 6, prepared by the FRSC, had been issued in January 2015. The Committee considered that the critical question was whether the requirements of section 436 would be applicable to non-Hong Kong incorporated companies. The Committee members were requested to provide comments on the exposure draft.

There being no further business, the meeting closed at 10:00 a.m.

ERIC TONG  
CHAIRMAN

3 March 2015