



Minutes of the 375th Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 4 June 2019 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. Paul Lau (Chairman)
Ms. Loretta Fong (Deputy Chairman)
Mr. Derek Broadley
Mr. Ivan Chan
Mr. Edmond Chan
Mr. Paul Hebditch
Mr. Frank Lam
Ms. Susanna Lau
Mr. Steve Ong
Mr. Gary Stevenson
Miss. Basilia Wong
Mr. Thomas Wong
Miss. Joyce Woo
- In attendance: Ms. Christina Ng, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Grace Lau, Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting

Action

2870. Minutes of the 374th Meeting

The Committee approved and the Chairman signed the minutes of the 374th meeting.

2871. Work Plan Status Report and Update from Working Groups

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

2872. IAASB's Exposure Drafts of Quality Management for Firms and Engagements ("Exposure Drafts")

The Committee noted that HKICPA and IAASB outreach activities were held on 23 and 24 May to gather stakeholders' feedback on the Exposure Drafts. The Committee discussed the feedback received from the outreach activities which would form the basis of the Institute's submission. SSD would prepare a draft response for the Committee's consideration and endorsement before submitting to the IAASB in due course. SSD

[Post meeting note: The submission letter was submitted to IAASB on 27 June and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2019/Auditing/sub-ISQM.pdf.]

2873. IAASB's Consultation Paper on Extended External Reporting (EER) Assurance ("Consultation Paper")

At the March meeting, the Committee agreed to set up a working group ("WG") to discuss the Consultation Paper and develop responses for submission to the IAASB.

The WG met on 2 May 2019. The Committee received an update on the WG's discussion and noted that some of the non-accountants providing assurance reports over Environmental, Social and Governance ("ESG") information in Hong Kong would perform the engagements using ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, but their reports may not be structured according to the ISAE 3000 (Revised) requirements. This would give rise to credibility and reliability issue of such ISAE 3000 (Revised) reports prepared by non-accountants who are outside the monitoring regime of the Institute. The Committee agreed the submission to highlight this local issue for the IAASB's attention. SSD would prepare a draft response to the Consultation Paper for the Committee's consideration and endorsement before submitting to the IAASB in due course.

SSD

The Committee also noted that The Stock Exchange of Hong Kong ("HKEX") had issued a consultation paper on the proposed changes to the ESG Reporting Guide and related Listing Rules ("HKEX consultation"). The Committee was invited to provide comments on the proposal whereby issuers may seek independent assurance to strengthen the credibility of ESG information disclosed. Comments would be forwarded to the Institute's relevant department responsible for the HKEX consultation for consideration.

SSD

[Post meeting note: The submission letter was submitted to IAASB on 21 June and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2019/Auditing/pdf_subCP.pdf.]

2874. Revised PN 900, Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard

SSD had revised PN 900 to align with the revisions in the Companies (Amendment) (No. 2) Ordinance 2018 ("the 2018 Amendment Ordinance") to improve the clarity and operation of the Companies Ordinance (Cap. 622).

The Committee noted that the changes to the extant PN 900 were conforming amendments to the 2018 Amendment Ordinance and provided some editorial comments. The Committee agreed that no exposure draft on the amendments would be necessary and approved the revision to PN 900.

[Post meeting note: PN 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* was issued on 18 June 2019 in Members' Handbook Update 229 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/volumelll/pn900rev19.pdf>]

2875. Proposed Auditor's Reporting Requirements under the Producer Responsibility Scheme on Glass Beverages Containers ("GPRS")

In May, SSD was approached by the Environmental Protection Department of The Government of the Hong Kong Special Administrative Region ("EPD") on the proposed auditor's reporting requirement under the GPRS.

Under the GPRS, suppliers of beverages that are carried in glass containers will be required to (i) register as registered supplier with the EPD; (ii) pay container recycling levy; (iii) submit quarterly returns to the EPD on the total liter volume of glass beverage containers he/she distributed or consumed in Hong Kong for the EPD to determine his/her amount of container recycling levy payable; and (iv) submit an audit report to the EPD every year in respect of the returns submitted.

Given GPRS's similarity with the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment ("WRPS"), the Committee agreed for the working group members of WPRS to support SSD's discussion with the EPD on the proposed auditor's reporting requirements under GPRS and consider the need to develop further guidance. SSD

[Post meeting note: The proposed auditor's reporting requirements under GPRS as reviewed by the working group members of WPRS and the Committee was sent to EPD on 11 July 2019 for its consideration.]

2876. A.O.B.

- At the March meeting, the Committee noted that the Institute's Audit Practice Manual (2016 edition) ("APM") would not be revamped during 2019. SSD reported that a circular would be sent to APM subscribers' in due course to draw their attention on the new and updated pronouncements not yet included in the extant APM. SSD

[Post meeting note: The circular was sent to APM subscribers' on 9 July 2019.]

- In view of the increasing auditor's reporting requirements by governmental departments, the Committee suggested SSD to host an information session for governmental officials to explain the objectives of different types of audit and assurance engagements. SSD would consider the suggestion in light of the overall work plan.

There being no further business, the meeting closed at 9:30 a.m.

PAUL LAU
CHAIRMAN

11 July 2019