



Ethics Committee
Meeting Summary – September 2008

The Ethics Committee (Committee) met on 4 September 2008.

Members of the Committee present were: Philip Tsai (Chairman), Lucia Li (Deputy Chairman), Graham Chan, Barbara Chan, Eric Fok, Charles Grieve, Piera Ho, Raymond Kong, Quinn Law, Jonathan Leong, Kenneth Morrison, Kenny Tam and Cecilia Yam.

Secretariat staff present were: Steve Ong, Selene Ho and Phoebe To.

The following agenda items were discussed:

1. Draft Submission on IESBA Re-Exposure Draft on Section 290 (Independence – Audit and Review Engagements) of the Code of Ethics for Professional Accountants (the Code) on Internal Audit Services and Relative Size of Fees
2. Invitation to Comment on IESBA Exposure Draft on the Code
3. Proposed Consultation Paper on the proposed identification of Hong Kong Entities of Significant Public Interest (ESPIS) for incorporation into the HKICPA Code of Ethics for Professional Accountants

1. Draft Submission on IESBA Re-Exposure Draft on Section 290 (Independence – Audit and Review Engagements) of the Code of Ethics for Professional Accountants (the Code) on Internal Audit Services and Relative Size of Fees

The Committee noted that the Invitation to Comment on this IESBA Re-Exposure Draft was expired on 1 August 2008 and there were no comment letters received. The secretariat had prepared a working draft of the HKICPA submission for the consideration of the Committee.

The Committee considered and endorsed the draft submission, subject to making amendments as suggested by some Committee members to request the IESBA to provide further clarification on the definition of “internal audit services” and “non-recurring services” under paragraph 290.196 and 290.201 of the ED.

The submission was sent to IESBA on 23 September 2008 after Council’s approval by circulation. The submission can be viewed at:

http://www.hkicpa.org.hk/professionaltechnical/ethics/exposedraft/S290_Submission_Re-ED.pdf

2. Invitation to Comment on IESBA Exposure Draft on the Code

The Committee ratified the Invitation to Comment on IESBA Exposure Draft proposals to clarify the Code which has been posted on the Institute’s website on 31 July 2008 for consultation until 10 September 2008 after obtaining the Committee’s endorsement by circulation.

The submission was sent to IESBA on 17 October 2008 after obtaining EC’s endorsement by circular and Council’s approval at its October meeting. The submission can be viewed at:

<http://www.hkicpa.org.hk/professionaltechnical/ethics/exposedraft/IESBA-COE-Submission.pdf>

3. Proposed Consultation Paper on the proposed identification of Entities of Significant Public Interest (ESPIs) for incorporation into the HKICPA Code of Ethics for Professional Accountants

The Committee noted that IESBA had taken into consideration the comments made by the HKICPA and comments raised by other jurisdictions in relation to the definition of ESPIs and had made some changes in relation to what a member body is required to do in relation to the definition of ESPIs in its Re-Exposure Draft of the Code issued in July 2008. In the original Exposure Draft issued in December 2006, member bodies should determine the types of entities that are of significant public interest. In the revised Re-Exposure Draft, member bodies are only encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities in addition to those identified by IESBA. In view of the change in requirement, the HKICPA is now not specifically required to determine what are ESPIs.

In view of the above, the Committee agreed to put on hold the proposed consultation paper on ESPIs until the IESBA's Exposure Draft has been issued in final and the Standard Setting Department would monitor overseas developments in this regard.

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