



Minutes of the 248th meeting of the Ethics Committee held on Monday, 9 September 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)
Ms. Helen Tang (Dial-in)
Mr. Alec Tong (Dial-in)
Ms. Mary Xuereb
- In attendance: Mr. Chris Joy, Executive Director
Ms. Cecilia Kwei, Director, Standard Setting
Ms. Elsa Ho, Director, Quality Assurance
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. Dennis Chan, Associate Director, Quality Assurance
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Senior Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Mr. Ambrose Wong, Financial Reporting Council (Dial-in)
- Apologies: Mr. Jerry Poon
Ms. Careen Wong

	<u>Action</u>
<p>1713. <u>Minutes of the 247th meeting</u></p> <p>The Committee approved the minutes of the 247th meeting.</p>	
<p>1714. <u>Exposure Draft of Chapter G</u></p> <p>Associate Director of Quality Assurance Department (“QAD”) provided a briefing of the background leading to the Institute’s proposal not to launch Chapter G Exposure Draft for consultation, which had subsequently been endorsed by the Practice Review Committee and the Task Force on Legal and Compliance for Accountants. The Committee raised concerns as to whether the Institute could fulfil its regulatory responsibilities, in particular the performance of a proper money laundering and terrorist financing (“ML / TF”) risk assessment of the accounting profession to address the Financial Action Task Force’s recommendation made at its last mutual evaluation, if the proposed obligation as set out in Chapter G could not be established.</p> <p>Executive Director and Director of QAD stressed that until the regulatory power is transferred, the Institute is still the regulatory body of accounting professionals concerning anti-money laundering and counter-terrorist financing (“AML / CTF”) compliance and would continue to make efforts to discharge its responsibilities under the current legal and regulatory framework. The AML / CTF compliance monitoring review programme within the practice review function would continue to</p>	

monitor practice unit's compliance with Guidelines on AML / CTF for Professional Accountants (Chapter F of *the Code of Ethics for Professional Accountants* ("the Code")) requirements and within which would gather AML / CTF related information to enable a ML / TF risk assessment be performed on practice units. The Institute would consider other alternatives to gather information that is required for a wider ML / TF risk assessment that includes members. The Institute had notified the Government the latest decision and would continue the dialogues with the Government and the Financial Reporting Council on the transition of regulatory power.

The Committee considered the factors discussed and endorsed the Institute's proposal not to launch the Exposure Draft of Chapter G.

(Director and Associate Director of QAD left the meeting at this juncture.)

1715. Work Plan Status Report

The Committee considered the report and noted most of the current year's projects had been completed/ would be completed by end of the year, except the project "Engagement Team – Group Audits Independence" addressing the independence considerations on group audit, which the exposure draft was expected to be issued by IESBA in Q1/2022, and SSD would then follow the due process of issuing an invitation to comment and report to the Committee in due course.

1716. Members' survey on ethics issues ("Survey")

SSD provided the Committee with the background of the proposed Survey (e.g. objectives, timetable, etc.). The Committee considered the proposed Survey and provided the following comments:

- To revisit certain questions and assess if those questions were necessary to achieve the objectives of the Survey.
- To consider inserting sub-headers in the Survey to separate different categories of questions.
- To provide the answer choices more concisely and precisely to meet the objectives of the questions and including more options such as ranking the choices.
- To consider mentioning the current communication channels in the Survey to remind members that they could approach the Institute if encountering ethical issues.

The Committee noted that members have a number of ways to approach the Institute for ethics enquiries, e.g. "Technical Enquiry" for matters relating to interpretation of the Code, and "Complaints" for logging complaints relating to issues concerning members' professional conduct or non-compliance of ethical requirements. The Committee also noted that the Institute does not provide members with real-time consultation service.

- To limit the open survey period to 4 weeks and send reminders to members via usual means of communication in due course.

The Committee further discussed if incentives would be offered for encouraging

Survey submission (e.g. offer the first twenty respondents to enroll CPD courses at discount rates). It was explained that the Institute did not have a usual practice to offer incentives for similar survey campaigns. The Committee agreed not to take up the suggestion for offering such incentives.

SSD would revise the proposed Survey and circulate it to the Committee for final review prior to launching the Survey in November 2021.

SSD

1717. Working Group for Educational Materials

The Committee noted that under the direction provided by the Working Group for Educational Materials (“WG”) since its first meeting in June 2021:

- A 12-months work plan on developing ethics-related resources was established.
- Two draft case studies were developed based on the Institute’s two disciplinary orders on non-compliance of ethics and were adapted to highlight the fundamental principles and independence requirements of the Code in the given scenarios.
- The two disciplinary orders were selected according to the common pitfalls identified from the statistical analysis of the Institute’s disciplinary orders between January 2019 to March 2021.

A member asked if there would be a concern that audiences/ readers could identify whom the case studies were referred to, given that the Institute had published all the disciplinary orders online.

It was explained that (a) using the past disciplinary orders was solely for educational purpose; (b) SSD had removed all privacy data from the disciplinary orders when developing the case studies; and (c) in the previous events organized by the Institute (e.g. CPD courses), disciplinary orders were also used and adapted to illustrate the ethical requirements and no issue was found in this respect.

The Committee thanked the WG for their contributions and valuable insights provided to the educational materials development. The Committee considered and approved the proposed work plan and the draft case studies for publication.

[Post meeting note: The case studies were published on on28 September 2021 on the Institute’s webpage. It was also publicized on the Institute’s Facebook and Instagram.]

1718. IESBA’s Exposure Draft Proposed Quality Management-related Conforming Amendments to the Code (“IESBA’s ED”)

The Committee noted that the Institute had issued an Invitation to Comment (ITC) on the IESBA’s ED in August 2021 to ensure views from local stakeholders would be duly considered in the standard-setting process. No comments were received by the due date.

The Committee noted that SSD had reviewed the proposed conforming amendments in the IESBA’s ED and considered that those amendments had not changed the objectives and/ or requirements of the International Code of Ethics for Professional Accountants (Including International Independence Standards) (“IESBA Code”) while aligning the IESBA Code with the new quality management

standards.

The Committee deliberated on SSD's proposed comments to a question in the IESBA's ED – whether to support IESBA in not proposing any amendment in paragraph 300.7 A5 of the IESBA's ED. (i.e. Paragraph 300.7 A5. “The engagement partner having the authority within the firm for decisions concerning compliance with the fundamental principles, including decisions about accepting or providing services to a client”.)

It was explained that the proposed conforming amendments to the IESBA Code under the IESBA's ED did not imply any change from the current assessment practice on audit or quality management failures. Whether it was a collective responsibility of both the firm and the engagement partner, or the sole responsibility of the engagement partner should be assessed under different circumstances. Factors would be considered case by case, e.g. any comprehensive quality management system and policies had been established and operated by the firm effectively? Had the individual partner complied with that system and policies? etc.

The Committee considered and agreed with SSD's proposed comments to IESBA's ED.

SSD would prepare and circulate the draft submission letter by email to the Committee for approval in due course. Subject to the Committee's final review, SSD would submit the comment letter to IESBA by 5 October 2021.

SSD

[Post meeting note: The draft submission letter was circulated to the Committee for final review on 20 September 2021 and was submitted to IESBA on 4 October 2021. The link is: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2021/ec/pdfsub_code.pdf]

1719. A.O.B.

- Executive Director informed the Committee that the Financial Reporting Council had completed the assessment of (a) the Institute's standard-setting process on professional ethics and (b) the Institute's specified functions in August 2021. The FRC's preliminary assessment report was expected to be ready in the next few weeks. The Committee would be kept posted of its status.
- The Committee noted that the next meeting would be held on 25 November 2021 and was requested to suggest agenda items by 4 November.

There being no further business, the meeting closed at 2:00 p.m.

HORACE MA
CHAIRMAN

8 November 2021