



Minutes of the 250th meeting of the Ethics Committee held on Wednesday, 16 March 2022 at 12:30p.m. via video conference

Present: Ms. Helen Tang (Chair)
Ms. Mary Xuereb (Deputy Chair)
Mr. Paul Chan
Mr. Stephen Chan
Mr. Eric Hung
Ms. Elaine Kwong
Ms. Anna Lam
Mr. Dacky Leung
Ms. Annie Li
Mr. Horace Ma
Ms. Shelley So
Mr. Alec Tong
Ms. Careen Wong

In attendance: 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. Cherry Yau, Senior Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting

Observer: Mr. Ambrose Wong, Financial Reporting Council

Action

1727. Welcome new member and committee composition for 2022

The Chair welcomed Mr. Paul Chan, Mr. Eric Hung, Ms. Elaine Kwong, Mr. Dacky Leung, Ms. Annie Li and Ms. Shelley So as new members of the Committee.

The Committee recorded a vote of thanks to retiring members, Mr. Alan Au, Mr. Alex Cheng, Mr. Allan Hepburn, Ms. Clara Ng and Mr. Jerry Poon for their contributions to the Committee during the tenure of their services.

1728. Guidance note on general confidentiality rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers.

1729. Terms of reference

The Committee considered the terms of reference and agreed that it was appropriate.

1730. Performance expectation of the Chair and members

The Committee noted the expectation on the performance of the Chair and Committee members, in particular to provide feedback on the operation of the committee as well as the performance of chair and members in Q4.

1731. Meeting schedule for 2022

The Committee noted the meeting dates for 2022.

1732. Standard operating procedures for auditing and ethics standard setting

The Committee noted the standard operating procedures had been updated to enhance SSD's internal procedures for setting standards.

1733. Committee's induction pack

The Committee noted the information contained in the induction pack including the operational procedures for the Committee's meetings, overview of the ethics standard-setting function in Hong Kong, SSD's activities and communication channels with stakeholders, etc.

1734. Terms of reference and member lists of group

The Committee noted that the Ethics Educational Materials Advisory Panel ("Advisory Panel") was set up under the auspices of the Committee to provide support in developing educational materials on application issues of the Code.

The Committee considered the change in the name according to the Institute's revised policy and to include "Ethics" in its name. The Committee approved the revised name, composition and terms of reference of the Advisory Panel.

Members were invited to participate on the Advisory Panel or to nominate suitable candidates to participate on the Advisory Panel.

1735. Minutes of the 249th meeting

The Committee approved the minutes of the 249th meeting.

1736. Strategic direction and proposed work plan for 2022 – 2024

The Committee considered the strategic direction and agreed that it would:

- Maintain convergence between the Institute's *Code of Ethics for Professional Accountants* (the "Code") and the IESBA's *International Code of Ethics for Professional Accountants (including Independence Standards)*.
- Monitor and promote the implementation of the Code among professional accountants in Hong Kong.
- Identify and address local implementation needs.

SSD provided an overview of the proposed work plan for 2021 – 2024 and the meeting discussed the following:

- SSD would be fully occupied in the next few months gathering comments from the Committee and other stakeholders for preparing the draft comment letters for the IESBA's two exposure drafts. The two exposure drafts would be discussed in Item 14.
- From time to time SSD would launch professional development events like

webinars, e-learning, face-to-face audit workshops embedded with ethics-related elements and publications, etc. to address members' training needs and promote the application of the Code. The Committee was requested to nominate speakers/ facilitators for the professional development events. The Committee provided suggestions for consideration by SSD for sourcing suitable speakers, for examples, from the workshop facilitator pool of the Institute's Education and Training Department ("E&T"). SSD was requested to circulate the outline of the audit workshops to the Committee for facilitating their identification of suitable speakers/ facilitators.

SSD

[Post-meeting note: The outline of the audit workshops was circulated to the Committee on 29 March 2022. SSD followed up on EC members' suggestion to identify potential QP workshop facilitators from list provided by E&T. SSD's key criteria for a potential candidate: an experienced audit practitioner with sound and proven technical knowledge in auditing; solid experience in practical application preferably in the Hong Kong context; able to share practical tips and insights on the full spectrum of audit work including complex situations; have some understanding in the Institute's APM. For most QP workshop facilitators, they tend to be exam oriented and they may not be able to explain the intention of a particular HKSA requirement or how to approach a specific audit situation. Unfortunately, there was no candidate fitting SSD's criteria as they are mainly PAIBs or do not have sufficient audit experience.]

- As recommended by the Committee, SSD would explore if the ethics session embedded in the audit workshops could be arranged as an e-learning course in case the face-to-face audit workshops could not resume due to the pandemic continuing to impact Hong Kong in the second half of the year.
- A member enquired on the status of the Institute's proposed consultation of Chapter G of the Code which proposed to establish an obligation on members and practice units to provide anti-money laundering and counter-terrorist financing related information. SSD reported that in the Committee's September 2021 meeting, the Committee considered that the reform of the accounting profession would take place in the third quarter of 2022 and therefore endorsed the Institute's proposal not to launch the exposure draft for consultation. The Institute, FSTB and FRC are in discussions to clarify which entity has responsibility for setting AML guidelines after the transfer of the regulatory functions to the FRC.
- A member raised a question on whether the Ethics module would be withdrawn from the Institute's Financial Controllership Programme ("FCP") and expressed a concern on such decision given ethics was considered important to professional accountants especially those working in business. SSD responded that no such withdrawal information was received to date and would follow up the matter with the Institute's Education and Training Department.

SSD

SSD

1737. Results on members' survey on ethics issues

The Committee considered the survey results and implications, and agreed to publish the survey results in the April issue of A-Plus. The Committee also discussed and provided the following comments:

- Members noted the low response rate of the survey (i.e. 315 responses, represented less than 1% of the total members of the Institute) and

recommended to consider whether the next survey could be distributed to Institute's members as part of the renewal package in order to increase the response rate and hence the representation of members to form a stronger basis for any follow up actions, for example, propose to the Council to make ethics-related training as a mandatory continuing professional development for Institute's members.

- A member shared with the Committee that it was a trend that certain regulators in Hong Kong had put ethics-related training as a mandatory requirement for continuing professional development for their members.
- ICAC shared its involvement in offering ethics training to different business sectors and would provide full support in terms of ethics training to the Institute's members where necessary and would consider the findings from the survey results in fine-tuning the course outline for upcoming courses for the Institute.
- A member proposed to set up a new Task Force for the ethics survey under the auspices of the Committee to further analyze the survey results, implications and provide recommendation on follow up actions. There was a counter proposal to have the analysis included in the work of the Ethics Educational Materials Advisory Panel ("Advisory Panel") and develop appropriate educational materials. The Chair of the Committee asked for a vote on the proposal at the meeting and 3 out of 13 members voted in favor of it, while the remaining 8 members voted against it. Accordingly, the Ethics Educational Materials Advisory Panel would take up the responsibility in analyzing the survey results and provide support in follow up actions. The Chair further encouraged members to join the Ethics Educational Materials Advisory Panel to provide new insights in developing relevant materials.

(Ms. Careen Wong and Mr. Alec Tong left the meeting at this juncture.)

1738. Ethics Educational Materials Advisory Panel's work plan for 2022

The Committee noted the update of the Advisory Panel's work plan for 2022 and considered it was appropriate.

(Mr. Dacky Leung and Mr. Stephen Chan left the meeting at this juncture.)

1739. IESBA's revisions on the definition of listed entity and public interest entity ("IESBA's revisions") and the proposed local approach for adoption to the Code

The Committee considered the IESBA's revisions and endorsed SSD's proposed outreach with the respective regulators to consult their views on the appropriate inclusion of their regulatees as public interest entities ("PIEs") under the Code for local context.

The Committee further recommended SSD to seek consultation with audit firms, given that there would be differences in audit implications when their clients are classified as PIEs or non-PIEs.

SSD

(Ms. Shelley So and Ms. Annie Li left the meeting at this juncture.)

1740. IESBA’s exposure drafts on (i) Proposed Technology-Related Revisions to the Code and (ii) Proposed Revisions to the Code relating to the Definition of Engagement Team and Group Audits

The Committee considered and agreed with the outreach plans to solicit comments for the development of the comment letters on the exposure drafts (ED). For (i), SSD would develop a survey setting out the key proposals in the ED and seek comments from Institute’s members. For (ii), SSD would also reach out to the Auditing and Assurance Standards Committee for comments on the proposed changes.

1741. Proposed policy on post-implementation review (“PIR”)

Members noted that the Committee and SSD had actively participated in the PIRs arranged by the IESBA and other activities to seek views from different stakeholders where issues were considered significant to Hong Kong professional accountants. To enhance the PIR process in Hong Kong, SSD proposed to implement an assessment framework to help identify any new standards and amendments that might require an IESBA-style PIR and document such PIR policy in the Preface.

The assessment framework consists of conducting an analysis every three years of qualitative and quantitative data collected over the previous three-year period. Sources of data collected include technical enquiries relating to the application of professional standards, regularly soliciting feedback from the advisory panels of the Institute or other stakeholders and publications by regulators identifying issues on the application of professional standards. Based on the analysis, Ethics Committee will consider whether a PIR is considered necessary for a particular implementation concern on the Code. The first analysis is to be conducted in 2022.

The Committee considered the above and subject to revisions to the draft wording in the Preface by including the timing and criteria for the assessment, the Committee approved to implement the assessment framework and the relevant documentation in the Preface.

SSD

[Post meeting note: The revised draft Preface wording was circulated to the Committee for approval on 29 March 2022].

1742. Any other business

The Committee noted that the next meeting would be held on 15 June and was requested to suggest agenda items by 24th May, and also share with the Committee for any implementation concerns on the Code at the next meeting.

There being no further business, the meeting closed at 2:55 p.m.

HELEN TANG
CHAIR

6 June 2022