



Our Ref.: C/EC

Sent electronically through the IESBA Website (www.ethicsboard.org)

4 October 2021

Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017
The United States of America

Dear Sir,

IESBA Exposure Draft
Proposed Quality Management-related Conforming Amendments to the Code

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only body authorised by law to set and promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft (ED).

We agree with your objective to develop conforming amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) so that it is aligned and interoperable with International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and ISQM 2, *Engagement Quality Review* issued by the International Auditing and Assurance Standards Board (IAASB). In particular, we appreciate your time and effort in coordinating with the IAASB which is integral to ensuring the consistency and interoperability of the Code with those IAASB standards.

Overall, we agree with the proposed conforming amendments in this ED and the proposed effective date. We believe they are necessary to resolve actual or perceived inconsistencies between the Code and ISQM 1 and ISQM 2.

With respect to the matter concerning decisions about accepting or providing services to a client in paragraph 300.7 A5 of the Code, we agree with your view that no proposed amendment to be made. Our considerations are as follow:

- The Code is a global code adopted by a number of jurisdictions. These jurisdictions may or may not have adopted the ISQM standards issued by IAASB. Keeping the phrase would cater to jurisdictions who have not adopted the ISQM standards.
- Jurisdictions applying the Code are diversified in terms of legal and statutory requirements. Also, differing facts and circumstances of audit engagements and the work and operating environment of firms would result in different consequences in case of a failure to comply with the Code or ISQM requirements.



Due to the global application of the Code, we agree with your view that keeping the phrase would address the circumstances of certain jurisdictions, for example, where engagements are required to be under the names of engagement partners for licensing, regulatory or other reasons.

- The proposed conforming amendments to the Code under the ED does not imply any change from the current assessment practice on audit or quality management failures. Whether a decision to accept or provide services to a client is a collective responsibility of 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, for example, whether the quality management system and policies established and operated by the firm are comprehensive and effective; whether the individual partner complies with the relevant quality management system and policies, etc.
- Paragraph 300.7 A 5 is an application material of the Code. According to “How to Use the Code”, *the Code contains application material that provides context relevant to a proper understanding of the Code. In particular, the application material is intended to help a professional accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement.* Hence, we do not believe that the extant wording would create any confusion in the application of the Code and the ISQM standards.
- The particular application material is only an example amongst a list of examples to provide guidance to users. It is set out in “How to Use the Code” that *where application material includes lists of examples, these lists are not intended to be exhaustive.*

If you have any questions regarding the matters raised above, please contact Selene Ho, Deputy Director of the Standard Setting Department (selene@hkcipa.org.hk).

Yours faithfully,

Chris Joy
Executive Director

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