



Minutes of the 215th meeting of the Ethics Committee held on Thursday, 6 May 2010 at 10:30 a.m. in the 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. Raphael Ding (Chairman)
Mr. Eric Fok
Ms. Piera Ho
Mr. Frankie Lam
Mr. Alden Leung
Mr. Joseph Li
Ms. Grace Ma
Mr. Kenny Tam
Ms. Virginia You
Ms. Monica Yu
Mr. Chris Joy, Executive Director
Mr. Steve Ong, Director, Standard Setting
Ms. Alison Wilde, Director, Professional Development
Ms. Selene Ho, Assistant Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting

Apologies for absence were received from Mr. Raymond Kong, Mr. Wilson Chan and Mr. Stephen Chan.

Council
Action

1499. Welcome to new member from The Law Society of Hong Kong

The Chairman welcomed Mr. Joseph Li, as a new member, being the representative from The Law Society of Hong Kong replacing Mr. Alex Lai. The Committee recorded a vote of thanks to past member, Mr. Lai for his contributions.

1500. Report from the HKICPA representative on IFAC Small and Medium Practice (SMP) Committee – Mr. Albert Au

Mr. Albert Au briefed the Committee on his role as the HKICPA representative on the IFAC SMP Committee. He advised that he would like to act as the conduit between the HKICPA SMP Leadership Panel and the Ethics Committee given the importance of ethics to SMPs. Ms. Alison Wilde, Director of Professional Development Department, is his technical advisor.

Mr. Au reported that he has some comments in relation to the IESBA Exposure Draft on the Proposed Strategy and Work Plan for 2010 to 2012. Ms. Wilde highlighted that IESBA should put as a priority on the need to identify the independence provisions in the Code relating to public interest entities and how those provisions would affect SMPs.

The Committee agreed with the proposal by Mr. Au and Ms. Wilde and would ensure that this is reflected in the HKICPA's submission to IESBA on the Exposure Draft.

The Chairman advised that the Committee had discussed the independence provisions in the Code relating to public interest entities. The Committee agreed not to give examples of public interest entities (other than listed companies) in the proposed revised HKICPA Code of Ethics for Professional Accountants but would require firms to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders in accordance with the principles set out in paragraph 290.26 of the proposed Code.

1501. Minutes of the 214th Meeting

The Chairman signed the Minutes of the 214th Meeting after their approval by the Committee.

1502. The proposed revised HKICPA Code of Ethics for Professional Accountants (Revised HKICPA Code)

It was noted that at the April Council Meeting, Council requested the Committee to reconsider whether it is still necessary in the Revised HKICPA Code to amend the IFAC Code of Ethics, as the Committee did in 2005, to make it more stringent on the following areas:

- Paragraph 290.107 in relation to the holding of a firm's retirement benefit plan of a direct or material indirect financial interest in an audit client;
- Paragraph 290.159 in relation to the provision of certain non-assurance services to an audit client;
- Paragraph 290.161 in relation to the provision of non-assurance services to an audit client who becomes a public interest entity; and
- Paragraph 290.148 in relation to acting as Company Secretary for an audit client.

The Committee re-considered the paragraphs mentioned by Council and had the following comments:

- In relation to paragraph 290.107, the Committee agreed to keep the local variation as this had not caused particular difficulties to firms in the past;
- In relation to paragraph 290.159, the Committee agreed to adopt the IFAC Code in full as this would provide some practical guidance to members;
- In relation to paragraph 290.161, the Committee members had different views on whether to keep the local variation or to adopt the IFAC Code. The Standard Setting Department (SSD) was requested to write to IESBA to gather more information of the requirements and to check previous meeting minutes regarding the past decision on the local variation; and

- In relation to paragraph 290.148, the Committee requested the SSD to check the previous meeting minutes regarding the past decision on the local variation.

The SSD was requested to carry out further research on the above remaining issues and discuss them at the Committee's next meeting.

1503. Revised Statement 1.500 Continuing Professional Development (Statement 1.500)

Ms. Alison Wilde explained to the Committee that the proposed amendments made to the Statement 1.500 (the Institute's CPD requirements) were due to the operation of the requirements in 2009, including the audit of the first 3-year rolling CPD compliance cycle which ended on 30 November 2008. The changes were mainly related to exemptions and extensions granted to members in respect of CPD. The proposed changes, if approved, will have effect from 1 December 2010, being the start of the next CPD compliance reporting period.

The Committee considered the proposed changes and had some comments relating to the definitions of "fully retired" and "career break". The Committee recommended that the new rules should be applied prospectively and the Institute should write to existing exempted members to explain the reasons for these changes and how these changes will be applied.

The Committee also suggested that Statement 1.500 should not be amended to give Council discretion to waive the requirement to produce records and/ or supporting documentary evidence in exceptional circumstances but rather, the Director of Professional Development may exercise discretion where appropriate.

Ms. Alison Wilde was requested to revise the Statement 1.500 as discussed.

There being no further business, the meeting closed at 1:20 p.m.

RAPHAEL DING
CHAIRMAN

1 June 2010