



Minutes of the 229<sup>th</sup> meeting of the Ethics Committee held on Monday, 27 October 2014 at 2:00 p.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. Alden Leung (Chairman)  
Mr. Raymond Cheng (Deputy Chairman)  
Mr. Philip Fung  
Ms. Piera Ho  
Ms. Grace Ma  
Dr. Wong Ka Lok  
Ms. Virginia You  
Ms. Monica Yu

In attendance: Mr. Ambrose Wong, Associate Director, Standard Setting

Apologies for absence were received from Mr. Edmand Cheung, Mr. Alfred Lum, Mr. Simon Riley and Mr. Amirali Nasir.

Action

**1578. Minutes of the 228th Meeting**

The Committee approved and the Chairman signed the minutes of the 228th meeting.

**1579. Status Report on Ethics Committee Work Plan**

The Committee considered the status of its work plan and noted the progress made on the various projects.

The Committee noted that the IESBA at its October meeting has approved its consultation paper on Improving the Structure of the IESBA Code of Ethics for Professional Accountants and its exposure draft on review of Part C of the Code. The consultation paper and the exposure draft are expected to be issued by November 2014.

The Committee noted that Mr. Raymond Cheng, Deputy Chairman of this Committee, will be a new member to the IFAC SMP Committee and its Ethics Task Force, following Mr. Albert Au's retirement from that Committee. The Committee will enhance its communication with IESBA through Mr. Cheng's involvement in the IFAC SMP Committee, in addition to the established channel including:

- Constant correspondence between the Standard Setting Department and the IESBA Staff;
- Representation by the Institute at the IESBA National Standard Setters Meeting; and
- Liaison with IESBA by Mr. Alden Leung as an IESBA Technical Advisor

**1580. The Observation of the Committee Chairman for his attendance to the October 2014 IESBA Meeting**

The Committee received a report from Mr. Alden Leung, Chairman of the Committee, on his participation at the IESBA Board meeting held from 13-15 October 2014 in New York. The major items discussed at the meeting included:

- Structure of the Code;
- Review of Part C of the Code;
- Responding to non-compliance with laws and regulations;
- Non-assurance services; and
- New work stream on safeguard on providing non-assurance services to audit clients.

**1581. The finalisation of IESBA's Strategy and Work Plan 2014-2018**

The Committee noted the finalisation of IESBA's Strategy and Work Plan for 2014-2018. The Committee noted the following significant observations from the Strategy and Work Plan:

- Strategic focus in standard setting  

The IESBA envisions in the medium to long term a Code that more comprehensively addresses the particular ethical issues Professional Accountants in Business may face in their roles in business.
- Structure of the Code  

The IESBA envisages that this project will lead to a restructured Code that will be clearer and more usable, thereby facilitating more consistent application and better enforcement. The Board expects to complete the project by early 2017.
- Safeguards in the Code  

The IESBA plans to undertake a comprehensive review of the safeguards in the Code, particular in relation to auditor independence. This initiative is strongly supported by the respondents from the regulatory community. The regulatory concerns revolve around the appropriateness and effectiveness of safeguards throughout the Code, the need to ensure that safeguards are appropriately correlated with threats, and the need to make clear that not every threat can necessarily be addressed by a safeguard.
- Fee related matters  

In response to regulatory input, the IESBA intends to explore fee-related matters in 2017, including whether to provide guidance to address undue fee pressure. The Board considered further research is needed to better understand the nature of the issues that may need to be addressed and, if so, the potential scope of any project in this area.

- Definition of public interest entity

As part of IESBA's ongoing dialogue with the regulatory community, the IESBA will seek a better understanding of the nature of regulatory concerns regarding the definition of a PIE in the Board, and consider whether there is a need to revisit the definition. The International Organisation of Securities Commissions (IOSCO), in particular, has noted that many jurisdictions do not appear to have the capacity to tailor the definition to their specific national circumstances. In addition, the Basel Committee on Banking Supervision has also suggested the Board to reexamine the definition from the perspective of banks.

It was also suggested that one way to reexamine the definition would be to examine the outputs of the International Accounting Standards Board's work in the area, particular the meaning of public accountability that was developed in drawing the dividing line between International Financial Reporting Standards (IFRS) and IFRS for SMEs.

**1582. IESBA Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client**

The Committee discussed the exposure draft and considered the comments received from stakeholders. The Standard Setting Department will prepare the draft comment letter for further consideration by the Committee.

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**1583. SMP Symposium**

The Committee noted there will be a session on IESBA project update at the SMP Symposium on 28 November 2014. Mr. Raymond Cheng, Deputy Chairman of the Committee, will be the speaker of the session; Mr. Philip Fung and Mr. Ambrose Wong will be the panelists of the session.

There being no further business, the meeting closed at 4:00 p.m.

ALDEN LEUNG  
CHAIRMAN

10 November 2014