



MEMBERS' HANDBOOK

Update No. 313

(Issued 15 July 2024)

VOLUME I

<u>Document Reference and Title</u>	<u>Instructions</u>	<u>Explanations</u>
Contents of Volume I	Replace pages i and ii with revised pages i and ii.	Revised content pages

PROFESSIONAL ETHICS

COE Chapter A, Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code	Insert COE Chapter A, <i>Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code</i> after the COE Chapter A, <i>Revisions to the Code Addressing Tax Planning and Related Services</i> issued in July 2024.	Note 1
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VOLUME III

<u>Document Reference and Title</u>	<u>Instructions</u>	<u>Explanations</u>
Contents of Volume III	Replace page i with revised page i and insert page vi.	Revised content pages

Section 2: Pronouncements issued but not yet effective

HONG KONG STANDARDS ON AUDITING

<p><u>Narrow Scope Amendments:</u></p> <ul style="list-style-type: none">• HKSA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and• HKSA 260 (Revised), Communication with Those Charged with Governance <p>as a Result of the Revisions to the HKICPA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)</p>	Insert Narrow Scope Amendments to HKSA 700 (Revised) and HKSA 260 (Revised) in Section 2.	Note 2
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Notes:

1. Amendments as a result of the International Ethics Standards Board for Accountants (“IESBA”) *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code* (“PIE Provisions”) issued in April 2022.

The PIE Provisions revised the definitions of a listed entity and a public interest entity (“PIE”) in the IESBA Code by specifying a broader list of categories of entities as PIEs whose audits and reviews should be subject to additional independence requirements, to meet stakeholders’ heightened expectations concerning auditor independence. The PIE Provisions also recognize the essential role of local bodies for the adoption of the IESBA Code in delineating the specific entities that should be scoped in as PIEs in their jurisdictions, encouraging them to properly refine the PIE categories in the expanded definition and adding any other categories relevant to their environments.

Chapter A of the Institute’s *Code of Ethics for Professional Accountants* (the “Institute’s Code”) is based on the IESBA’s *International Code of Ethics for Professional Accountants (Including the International Independence Standards)*. Consequently, the Institute’s Ethics Committee has updated Part 4A, Chapter A of the Institute’s Code by adopting the PIE Provisions. Furthermore, the Ethics Committee has refined the definition of a PIE in paragraph R400.22(b), (c) and (d) by introducing a locally developed paragraph 400.23 A3, taking into account the unique facts and circumstances of Hong Kong. These local modifications to the PIE definition were the outcome of a rigorous process involving extensive consultation and thoughtful deliberation. The [Basis for Conclusions](#) summarizes the consideration of the Ethics Committee in reaching the conclusions in the PIE Revisions issued by the Institute.

The PIE Provisions including the local refinement to paragraph R400.22(b), (c) and (d) through paragraph 400.23 A3 will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024. Early adoption is permitted.

2. Amendments as a result of the International Auditing and Assurance Standards Board (IAASB) Narrow Scope Amendments to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; and ISA 260 (Revised), *Communication with Those Charged with Governance*, as a Result of the Revisions to the IESBA Code that require a firm to publicly disclose when a firm has applied the independence requirements for PIEs.

The changes to the IESBA Code require firms to publicly disclose when the independence requirements for PIEs have been applied in an audit of financial statements. The IAASB’s narrow scope amendments operationalize changes to the IESBA Code related to listed and public interest entities by providing a clear mechanism to action the new requirement.

Chapter A of the Institute’s Code is based on the IESBA Code. Consequently, HKSA 700 (Revised) and HKSA 260 (Revised) are updated to incorporate these narrow scope amendments. They are effective for audits of financial statements for periods beginning on or after 15 December 2024.