



Minutes of the 422nd Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 10 December 2024 at 8:30 a.m.
- Location: Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via videoconference)
- Present: Mr. Paul Hebditch (Chairman) (dial-in)
Mr. Thomas Wong (Deputy Chairman) (dial-in)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Ms. Elaine Chang (dial-in)
Mr. Tony Ching (dial-in)
Ms. Caroline Chiu (dial-in)
Mr. Deric Chiu (dial-in)
Mr. Louis Lau (dial-in)
Mr. Charbon Lo (dial-in)
Ms. Joan Ng (dial-in)
Ms. Winnie Yau (dial-in)
- In attendance: Mr. Chris Joy, Director (dial-in)
Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Apologies: Mr. William Wong
- Observer(s): Ms. Tracy Chan, Accounting and Financial Reporting Council (dial-in)
Ms. Kristin Ko, Accounting and Financial Reporting Council (dial-in)

3232. Minutes of the 421st meeting

The Committee approved the minutes of the 421st meeting.

3233. Work plan status report and update from working groups

The Committee considered the report and noted the progress of various projects.

(The chair of the RBC Reporting Task Force who is also a member of the Insurance Regulatory Advisory Panel ("IRAP member") joined the meeting at this juncture.)

Action

3234. Issuance of (a) PN 810.2 (Revised), The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance, (b) PN 620.2 (Revised), Communication between the Auditor and the Insurance Authority, and (c) PN 820 (Revised), The Audit of Licensed Corporations and Associated Entities of Intermediaries

The chairman thanked the IRAP member for joining the meeting to discuss the comments received on the proposed PN 810.2 (Revised) during the exposure drafts consultation period.

SSD reported on the feedback received during the consultation period for the proposed PN 810.2 (Revised). The Committee noted that SSD in consultation with the IRAP, RBC Reporting Task Force and the regulator, had addressed the comments received. Additionally, no comments were received on the proposed PN 620.2 (Revised). The Committee approved to issue both PN 810.2 (Revised) and PN 620.2 (Revised).

(The IRAP member left the meeting at this juncture.)

Furthermore, SSD informed the Committee that follow up comments were received from the Accounting and Financial Reporting Council (“AFRC”) on the proposed PN 820 (Revised). The comments were under consideration by the Securities Regulatory Advisory Panel and the revised PN 820 (Revised) would be circulated to the Committee for consideration and approval in due course.

[Post-meeting notes:

- AFRC provided further comment on PN 810.2 (Revised) after the meeting. The revised PN 810.2 and the response to the AFRC’s comment were circulated to AASC on 17 December 2024.
- PN 810.2 (Revised) and PN 620.2 (Revised) were issued on 23 December 2024 in Members’ Handbook Update No. 320 which is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update320.pdf>

3235. Proposed Hong Kong Standard on Auditing for Audits of Financial Statements of Less Complex Entities (“HKSA for LCE”)

SSD reported on the feedback received during the consultation period for the proposed HKSA for LCE. In response to these comments, SSD has developed a proposed Basis for Conclusions, which will accompany the final release of the HKSA for LCE. While this document is not part of the standard itself, it provides context and explains the rationale behind the Committee’s local refinement of the HKSA for LCE.

In response to the consultation comments, SSD proposed two post-consultation changes to the authority of using the HKSA for LCE:

1. To expand the prohibition from using the HKSA for LCE to an entity that is granted an insurance broker company license under section 64ZA of

the Insurance Ordinance to carry on regulated activities in one or more lines of business, and to perform the act of negotiating or arranging an insurance contract as an agent of any policy holder or potential policy holder.

2. Regarding proposed paragraph A.4.5, to clarify that the addition of a new entity or a business unit would invalidate a group's continued use of the HKSA for LCE if a new entity or business unit enters the group and causes it to exceed the quantitative thresholds in that financial year.

The Committee approved the post-consultation changes put forth by SSD. Additionally, the Committee agreed with the proposed Basis for Conclusions and provided editorial comments to enhance clarity.

As the next step, SSD would finalize the HKSA for LCE and the accompanying Basis for Conclusions for the Committee's approval in Q1 2025.

The Committee and SSD thanked the HKSA for LCE Advisory Panel for their contributions to the project.

3236. Proposed new auditing and assurance technical bulletin

The Committee considered the proposed new technical bulletin ("TB") on the guidance relating to assurance and agreed-upon procedures engagements and commented that it would help assist practitioners when determining the appropriateness of the auditor's reporting framework for engagements other than audits of financial statements.

Furthermore, SSD informed the Committee that comments on refining the TB were received from the chairman and would be further discussed and considered by the General Reporting Advisory Panel ("GRAP"). The chairman further remarked that it would be important to ensure the suggested approach in addressing the common pitfalls considers market practice. A revised TB would be circulated to the Committee for consideration and approval in due course.

The Committee also noted that a webinar and a deep dive workshop would be scheduled following the release of the TB, and was requested to nominate suitable speakers for those planned events.

3237. Local guidance on receiving bank confirmations by email

The Committee recalled the comments from the AFRC on the proposed revisions to HKSA 505, *External Confirmations*, which aim to provide guidance for auditors in evaluating bank confirmation responses received via email. The Committee also recalled the phased approach for bank confirmation guidance: an alert would be developed to provide guidance on bank confirmations received via email, while HKSA 505 (Revised) would be revised in line with the IAASB's timeline for revising ISA 505 (Revised).

The Committee noted and agreed with SSD's proposed approach to address

the AFRC comments in the proposed alert as well as the tentative timetable for publication in Q1 2025.

3238. Report from HKICPA's representative on the MPFA Guidelines Committee

The Committee noted the report from the Institute's representative on the MPFA Guidelines Committee as required by the Institute's Guidelines on Handling Invitation for External Appointments. The Committee noted the written report by the Institute's representative and did not have any comments.

3239. Any other business

The meeting was the last scheduled meeting of the Committee in 2024. The meeting recorded a vote of thanks to the Committee members and the secretariat for the contributions and support.

There being no further business, the meeting closed at 9:30 a.m.

PAUL HEBDITCH
CHAIRMAN

23 December 2024