



Minutes of the 265th meeting of the Ethics Committee held on Monday, 2 September 2024 at 12:30p.m. in 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 video conference)

Present: Ms. Mary Xuereb (Chair)
Mr. Paul Chan (Dial-in)
Mr. Dennis Chan (Dial-in)
Ms. Elly Chui
Mr. Eric Hung (Dial-in)
Ms. Elaine Kwong (Dial-in)
Mr. Charbon Lo
Ms. Mary Lau
Mr. Dacky Leung (Dial-in)
Mr. Rudolf Leung (Dial-in)
Mr. Ricky Wong
Ms. Cecilia Yam

In attendance: Mr. Chris Joy, Director
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

Observer: Ms. Tracy Chan, Accounting and Financial Reporting Council (Dial-in)

Apologies: Mr. Horace Ma (Deputy Chair)

Action

1963. Minutes of the 264th meeting

The Committee approved the minutes of the 264th meeting.

1964. Work Plan Status Report

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

1965. Revisions to the Code Addressing Tax Planning and Related Services (“Tax Planning Revisions”)

The Committee considered the proposed conforming changes to Section 600 in Chapter C of the Code and noted that those changes were reviewed by the Institute's Tax Faculty Executive Committee with no further comments. The Committee approved the revised section 600 in Chapter C of the Code for issuance.

The Committee noted that a webinar on Tax Planning Revisions was scheduled in November and the Chair encouraged the Committee members to refer the upcoming webinar to their colleagues who provide tax planning services.

1966. Proposed Revisions to the Ethics Circular

The Committee considered the proposed revisions to the Ethics Circular and provided the following comments:

- To emphasize in the Ethics Circular that practitioners should document their evaluation of whether the provision of non-assurance services would give rise to independence threats.
- To remove *Part 1 - Identification of Public Interest Entities (PIEs)* from the Ethics Circular, while referring users to the IESBA's Q&A publication and the Institute's forthcoming frequently asked questions for further guidance on this matter.
- In relation to technology-related provisions, when determining whether non-assurance services provided are of a routine or mechanical nature, the Committee recommended SSD to check whether the Code provides guidance to hybrid scenarios involving both manual and automated processes, and to include it in the Ethics Circular to facilitate practitioners to make this determination if necessary.

[Post-meeting note: The revised Ethics Circular was circulated to the Committee for approval on 16 September 2024 and was issued on 3 October 2024. It is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/TB_-_Cir/EC/clec11024.pdf.]

1967. Update on Ethics Educational Material Advisory Panel

The Committee noted the ethics-related findings set out in the Accounting and Financial Reporting Council Inspection Report ("AFRC") 2023. The Committee proposed initiatives to raise awareness of these findings, such as discussing them at the Institute's Annual Auditing Update Conference and the SMP Symposium.

In addition, the Committee agreed to better promote the Institute's Ethics Resource Centre by using video demonstrations. They also recommended that SSD identify and compile summaries of ethics-related training sessions and highlight those which are available free of charge, whether developed by the Institute or other professional bodies, and promote them to HKICPA members through a single communication to facilitate easy access and encourage participation as needed.

[Post-meeting note: The Institute's Annual Auditing Update Conference held on 26 October included discussion on ethics-related findings in the AFRC Inspection Report 2023. The SMP Symposium 2024 on 22 November will include a session to be delivered by the AFRC personnel on their inspection findings.

On 1 November, a video clip demonstrating how to navigate the Institute's ethics resources was released (<https://youtu.be/dlNX1k9vMdM?si=FQaQa0y2tYtJZ1RH>). The clip was further promoted through the Institute's technical newsletter and social media platform.

During October and November 2024, SSD arranged various social media posts to enhance ethics awareness and promote the Institute's ethics-related resources. They included a social media post on the Global Ethics Day on [16 October](#) to enhance awareness and promote HKICPA ethics webinars.]

1968. FAQ and promotional clip for Phase 1 of the PIE definition project

The Committee reviewed and approved the revised FAQ for Phase 1 of the PIE definition project. They recommended expanding the FAQ to cover scenarios where private entities issue financial instruments traded on recognized exchanges with pricing tied to the share price of a third-party listed entity.

Furthermore, the Committee approved the release of a video clip providing an overview of Phase 1 of the PIE definition project but suggested shortening its length for increased engagement and attention. The Committee also supported the development of an additional training video in Cantonese for Phase 1 of the PIE definition project and approved its content.

[Post-meeting note:

- *The revised FAQ was circulated to the Committee for approval on 16 September 2024 and was issued on 26 September 2024. It is available at:
https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/06_New-and-major-stds/COE-centre/FAQp1pie.pdf.*
- *The video clip providing an overview of Phase 1 of the PIE definition project was released on 19 September 2024 and is available at:
<https://www.youtube.com/watch?v=C02z4TEkfNU&list=PLf4K8bQP5TlaPP5lrmfCj0-kmIHbbwd2-&index=10>.*
- *The training video in Cantonese for Phase 1 of the PIE definition project was released on 5 November and is available at
<https://www.youtube.com/watch?v=yCw6hYb3Xmk.>*

1969. Phase 2 of the PIE project

The Committee reviewed a summary of the discussions and tentative decisions on PIE Phase 2 to date. Members of the Committee exchanged viewpoints shared by fellow practitioners on the development of PIE Phase 2 and deliberated on the Committee's approach to identify potential entities as PIEs in Phase 2. The Chair emphasized that additional entities considered as PIEs were identified based on their activities or attributes using a principle-based approach. An entity was identified by name due to its uniqueness in Hong Kong. Moreover, the Code allows practitioners to determine additional entities as PIEs at the firm level, complementing those specified by the Code and locally designated by the Committee.

The Committee also approved SSD's proposed actions and research plans for additional potential PIE categories. The Committee encouraged SSD to maintain ongoing communication with the Institute's various advisory panels, comprising industry experts and practitioners with expertise in auditing specific sectors, and seek their insights when evaluating the public interest of particular entity types.

1970. Any other business

There were no additional business items or implementation issues related to the Code brought up for discussion.

The Committee noted that the next meeting is scheduled for 25 October and was requested to suggest agenda items by 3 October. They were also encouraged to communicate any issues regarding the implementation of the Code during the next meeting.

There being no further business, the meeting closed at 2:07 p.m.

MARY XUEREB
CHAIR

15 November 2024