



Minutes of the 255th meeting of the Ethics Committee held on Friday, 17 March 2023 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. Horace Ma (Deputy Chair)(Dial-in)
Mr. Paul Chan
Mr. Stephen Chan (Dial-in)
Mr. Eric Hung (Dial-in)
Ms. Elaine Kwong (Dial-in)
Mr. Dacky Leung (Dial-in)
Ms. Rudolf Leung (Dial-in)
Ms. Shelley So
Ms. Careen Wong (Dial-in)
- In attendance: Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Mr. George Au, Associate Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Senior Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Apologies: Ms. Mary Lau
- Observer: Mr. Ambrose Wong, Accounting and Financial Reporting Council (Dial-in)
Ms. Kristin Ko, Accounting and Financial Reporting Council (Dial-in)

1772. Welcome new member and committee composition for 2023

The Chairman welcomed Mr. Rudolf Leung as a new member of the Committee.

The Committee recorded a vote of thanks to retiring members, Ms. Helen Tang, Ms. Annie Li and Mr. Alec Tong for their contributions to the Committee during the tenure of their services.

1773. Guidance note on general confidentiality rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers.

1774. Terms of reference

The Committee considered the terms of reference and agreed that it was appropriate.

1775. Performance expectation of chairman and members

The Committee noted the expectation on the performance of the chairman and Committee members.

Action

1776. Meeting schedule for 2023

The Committee noted the meeting dates for 2023.

1777. Proposed amendments to the standard operating procedure for auditing and ethics standard setting

The Committee noted the proposed amendments to the standard operating procedure for auditing and ethics standard setting (“SOP”) to incorporate the approved revised local post-implementation review (“PIR”) framework.

One of the PIR procedures as part of the data analysis was to identify topics receiving 5% or more than 5% technical enquiries out of the total technical enquiries during the PIR period, and investigate whether they represented key implementation issues. A member enquired the basis of using 5% for the identification purposes. SSD remarked that the revised PIR framework including the proposed 5% threshold was presented to and approved by the Committee at the December 2022 meeting. To facilitate understanding of the revised local PIR framework, SSD would re-circulate the relevant discussion papers to the Committee.

SSD

[Post meeting note: Discussion papers setting out the revised local PIR framework presented at the December 2022 meeting was re-circulated to the Committee on 30 March.]

1778. Committee’s induction pack

The Committee noted the information contained in the induction pack including the operational procedures for the Committee’s meetings, overview of the ethics standard-setting function in Hong Kong, SSD’s activities and communication channels with stakeholders, etc.

1779. Terms of reference and member lists of group for 2023

The Ethics Educational Materials Advisory Panel (“Advisory Panel”) was set up under the auspices of the Committee to provide support in developing educational materials on application issues of the HKIPCA *Code of Ethics for Professional Accountants* (“Code”).

The Committee considered and approved the terms of reference and member list of the Advisory Panel for 2023.

SSD reported that the Advisory Panel had vacancy for two more members. Members were invited to participate or nominate suitable experts to join the Advisory Panel.

1880. Strategic direction and proposed work plan for 2023 – 2025

The Committee considered the strategic direction and agreed that it would:

- Develop local publications or initiatives for local needs; and
- Maintain convergence between the Code and the IESBA’s *International Code of Ethics for Professional Accountants (including Independence Standards)*.

SSD provided an overview of the proposed work plan for 2023 – 2025. The Committee agreed and approved the proposed work plan.

1881. Proposed amendments to Preface to the Code

SSD proposed amendments to the Preface to the Code to align with the revised local PIR framework.

The Committee noted and approved the proposed amendments to the Preface.

[Post meeting note: The revised Preface was issued on 20 March 2023 in Members' Handbook Update No. 288 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update288.pdf>]

1882. Proposed educational publication and provision of ethics-related support to PAIBs

SSD and the Advisory Panel developed a video featuring conflicts of interest with reference to the Code's requirements and application materials, as well as ethics publications of the International Federation of Accountants.

The Committee considered the video and approved its publication.

[Post meeting note: The video was published on the Institute's YouTube channel on 20 March 2023 and is available at: <https://www.youtube.com/watch?v=pw3TbPs9wJA>]

The Committee recalled the previous discussion on ethics-related support to professional accountants in business ("PAIBs"). It was noted that SSD's technical enquiry services would provide technical support to PAIBs on their application of the Code, while other PAIB-related issues or enquiries would be handled by relevant HKICPA departments as appropriate.

Given the current support offered by the Institute and the low proportion of ethics-related technical enquiries from PAIBs, the Committee agreed that there was no urgent need to set up additional ethics-related support for PAIBs.

1883. Proposed updates to section 800 in Chapter C of the Code

SSD proposed updates to section 800 in Chapter C of the Code to:

- State that the Accounting and Financial Reporting Council ("AFRC") is the responsible authority for issuing practising certificates to Certified Public Accountants; and
- Replace the HKICPA Council ruling by the joint statement of the AFRC and the HKICPA which clarified that Fellows of the HKICPA with practising certificates would be eligible to continue using the designation "Fellow of the Hong Kong Institute of Certified Public Accountants (Practising)" and initials "FCPA (practising)".

The Committee noted and approved the proposed updates to section 800 in Chapter C of the Code.

[Post meeting note: Updates to section 800 in Chapter C of the Code was issued on 20 March 2023 in Members' Handbook Update No. 288 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update288.pdf>]

1884. Post implementation review of implementation issues of the Code

Subsequent to the approval of the revised local PIR framework, SSD invited comments on implementation issues of the Code from relevant committees. SSD had analyzed the comments received on implementation issues on the provision of internal control review services to audit clients, as covered by the Code's guidance on provision of internal audit services. Accordingly, SSD proposed an update to the Institute's Ethics Circular 1, *Guidance for Small and Medium Practitioners on the Code of Ethics for Professional Accountants* to include additional guidance on the provision of internal audit services.

The Committee agreed SSD's analysis of the local implementation issue of the Code and approved the proposed revision to Ethics Circular 1.

[Post meeting note: The revised Ethics Circular 1 was issued on 24 March 2023 and is available at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/Technical-bulletins-and-circulars/Ethics-Bulletin-and-Circulars>]

1885. Local approach to refine the definitions of listed entity and public interest entity for adoption in the Code

The Committee considered stakeholders' comments consolidated from the previous Committee meetings and SSD's analysis and proposals on the local refinement for the definitions of listed entity and public interest entities.

In respect of the local refinement under the Code to be proposed in the public consultation, the Committee approved the proposals to define the following entities as public interest entities ("PIE") in the local context:

Mandatory PIE categories:

- Licensed banks, as defined under the Banking Ordinance except where there is no statutory requirement for audit to be performed; and
- Authorized insurers, as defined under the Insurance Ordinance except for:
 - captive insurers;
 - insurers where there is no statutory requirement for audit to be performed.

Additional PIE category:

- Mandatory Provident Fund Schemes, as defined under the Mandatory Provident Fund Schemes Ordinance.

For funds authorized by the Securities and Futures Commission ("SFC"), SSD would perform further analysis and follow-up with the SFC on whether they should be included as PIE, for the Committee's further consideration and deliberation.

1886. IESBA's exposure draft, Proposed Revisions to the Code Addressing Tax Planning and Related Services

The Committee noted the IESBA's exposure draft and agreed that comments would be solicited from the Institute's Taxation Faculty Executive Committee.

The Committee was requested to provide comments to the exposure draft for incorporation into the Institute's comment letter for submission to the IESBA.

1887. IESBA sustainability roundtable

It was reported that SSD staff would attend the IESBA's global sustainability roundtable in Singapore on 3 April to provide input to key ethics and independence standards relating to sustainability reporting and assurance and the use of experts.

The Committee noted the discussion topics of the roundtable and SSD staff's initial comments and was requested to provide inputs for SSD's discussion at the roundtable.

1888. Any other business

The Committee did not have any local implementation issues on ethical requirements for discussion.

The Committee noted that the next meeting would be held on 19 May and was requested to suggest agenda items by 27 April, and also share with the Committee for any implementation concerns on the Code at the next meeting.

There being no further business, the meeting closed at 2:25 p.m.

MARY XUEREB
CHAIR

28 March 2023