



Minutes of the 411th Meeting of the Auditing and Assurance Standards Committee

Date: Tuesday, 17 October 2023 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)
Mr. Thomas Wong (Deputy Chairman) (dial-in)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Tony Ching (dial-in)
Ms. Caroline Chiu (dial-in)
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Mr. Charbon Lo (dial-in)
Ms. Joan Ng (dial-in)
Ms. Sharon Tse (dial-in)
Ms. Basilia Wong (dial-in)
Mr. William Wong (dial-in)

In attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Selene Ho, Deputy Director of Standard Setting
Ms. Grace Lau, Associate Director of Standard Setting
Ms. Cherry Yau, Senior Manager of Standard Setting
Ms. Phoebe To, Manager of Standard Setting

Observer: Mr. Jonathan Ng, Accounting and Financial Reporting Council
Ms. Fiona Yip, Accounting and Financial Reporting Council

3145. Welcome new member

The Chairman welcomed Ms. Caroline Chiu as a new member of the Committee.

3146. Minutes of the 410th meeting

The Committee approved the minutes of the 410th meeting.

3147. Work plan status report and update from working groups

The Committee considered the report and noted the progress of various projects. The following were discussed at the meeting:

- SSD reported to the Committee that due to the exposure draft for the local refinement to the definitions of public interest entities ("PIEs") (the "ED")

Action

in the Code of Ethics for Professional Accountants (the “Code”) has yet to be issued, there would be a deferral of the convergence of the IAASB’s narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) resulted from the revisions to the IESBA Code of Ethics for Professional Accountants for the definitions of PIEs until the convergence of the revised provisions of the Code for the definitions of the PIEs have been approved by the Ethics Committee. The ED which is currently under the review of the Accounting and Financial Reporting Council would be released for public consultation upon receiving clearance from the AFRC.

SSD remarked that despite the deferral of the convergence of the amendments to the local auditing standards, the effective date of the amendments would remain unchanged and be aligned with the revisions to the Code (i.e. effective for audits of financial statements for periods beginning on or after 15 December 2024).

SSD would seek the Committee’s approval for the deferral at the next meeting.

SSD

- A member enquired if local guidance would be developed for the reporting on virtual assets trading platform providers. SSD reported that it has not received any requests from the SFC or issues raised by the Institute’s members through the Technical Enquiry system. Therefore, no proposal to develop any guidance was considered necessary at the moment.

[Post meeting notes: Representatives from the SFC and a big-4 firm to conduct a [seminar](#) on 7 November covering (a) the regulatory framework for centralized virtual asset trading platforms (“VATP”) under the Securities and Futures Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance; and (b) the market trend of the recent virtual asset use cases and control requirements for VATP operators. The seminar would be recorded as an on-demand course for subscription.]

3148. IAASB Global Roundtable on ED-5000

The Committee noted that SSD staff attended the global roundtable on ED-5000 on 10 October at Kuala Lumpur. Participants were assurance practitioners (both professional accountants and non-professional accountants), international standard setters of assurance standards, Professional Accountancy Organizations and regulators who oversight audits. Key comments from the roundtable included:

- Support for the ED-5000.
- Request for further clarity and guidance including the interaction with ISAE 3410 on greenhouse gas reporting.
- Educate stakeholders including non-professional accountant practitioners, users and practitioners of the assurance reports.
- Request clarity as to what is meant by “at least as demanding as the IAASB’s ISQMs and the IESBA Code” as proposed in the ED-5000.

There were also discussions on monitoring and enforcement matters. The IAASB and the IESBA commented that ED-5000 and upcoming proposed ethics provisions and independence proposed for sustainability service providers were professional agnostic and it would be up to the local regulators for the monitoring and enforcement of practitioners including non-professional accountants as the monitoring and enforcement functions were outside the ambit of international standard setters. A member inquired about the plan from the Hong Kong perspective in this regard. SSD responded that the matter is being considered by the Cross-Agency Steering Group (“CASG”) established by the HKSAR Government.

3149. Initial comments on the IAASB’s ED-5000

The Committee noted the initial comments received from the Sustainability Assurance Advisory Panel (“SAAP”) and provided additional comments at the meeting:

- Definition of sustainability information – to clarify whether (a) the “economic” matters in ED-5000 align with the concept of “governance” within the broader scope of ESG; and (b) the “cultural” matters in ED-5000 refer to national cultural or organization matters. Clear definitions and illustrative examples on economic and cultural matters would help ensure consistent application of the standard.
- Concept of going concern in the context of sustainability assurance – to state the expected requirements for practitioners and provide guidance in terms of going concern in the requirements and the application material in the final standard.
- Preconditions not present after acceptance – to consider revising the drafting of the relevant requirements by referencing to similar requirements as set out in other assurance standards in order to avoid unintended consequences.

SSD would circulate the Committee’s feedback to the SAAP for consideration. The final draft comments would be tabled for the Committee’s approval at the next meeting.

SSD

3150. Update from the Bank Confirmations Task Force

The Committee expressed appreciation for the efforts of the Task Force (“TF”) on the project collaborated with HSBC. The Committee considered that the TF’s suggestion to update HKSA 505, *External Confirmations* to incorporate guidance on receiving bank confirmations by email was appropriate and noted SSD would work out with the TF to propose revisions to HKSA 505 and the time line. The TF also proposed and the Committee agreed to issue an Alert to remind the Institute’s members on the requirements of HKSA 505 and considerations when receiving bank confirmations by email.

SSD

In addition, the Committee provided the following comments at the meeting:

- To liaise with HSBC to revise the proposed information for public disclosure regarding compliance with local regulations.
- To address a practical concern with HSBC regarding the requirement to include the entity's chop on the bank confirmation request form. There could be some cases that clients might choose to process bank transactions using an authorized signature without the entity's chop when setting up the bank account.
- To consider including in the proposed Alert the concern regarding the auditors' ability to assess the reliability of bank confirmations received via email in the event of a disruption of controls within the bank.
- A member enquired if the project could be expanded to include other banks rather than just one bank at the moment. SSD explained that HSBC had initiated the revisions to the bank confirmation arrangement for the audit purposes. HKICPA had approached The Hong Kong Association of Banks ("HKBA") on the initiative but HKBA indicated that due to anticipated practical challenges, e.g. different banks had implemented their own internal control systems to handle the bank confirmation requests; it would not be feasible to implement across all banks. In light of this, another member suggested the CPA firms could consider exploring the possibility of adopting the HSBC approach with other banks as an alternative.

3151. Any other business

The Committee noted that:

- SSD had contacted the vendor regarding the proposed update to the Audit Practice Manual to incorporate the guidance of ISA 600 (Revised). SSD would follow the Institute's due process for procurement and provide updates to the Committee. SSD
- SSD would gather all the projects on hand for the Committee's review during the first meeting of 2024. Considering SSD's resource limitations, the Committee would need to determine if any projects of lower priority could be discontinued or deferred to a later timeframe. SSD
- The next meeting would be held on 14 November and the Committee was requested to suggest any agenda items by 24 October.

There being no further business, the meeting closed at 10:00 a.m.

PAUL HEBDITCH
CHAIRMAN

3 November 2023