



Minutes of the 400th Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 24 May 2022 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. Derek Broadley (Deputy Chairman) (dial-in)
Mr. Ivan Au (dial-in)
Mr. Ivan Chan (dial-in)
Mr. Edmond Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Tony Ching (dial-in)
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Ms. Susanna Lau (dial-in)
Mss. Basilia Wong (dial-in)
Mr. Thomas Wong (dial-in)
Mr. William Wong (dial-in)
- In attendance: Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Senior Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Ms. Tracy Chan, Financial Reporting Council (dial-in)

3061. Minutes of the 399th meeting

The Committee approved the minutes of the 399th meeting.

3062. Work plan status report and update from working groups

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

- An additional local project for developing guidance on the reporting relating to the eMPF was included in the work plan.
- A member enquired if local guidance on the LCE standard would be developed. SSD reported that the LCE standard was still under development by the IAASB and the final standard is expected to be issued in 2023. Development of any local guidance would be subject to further discussion by the Committee after the IAASB LCE standard has been adopted for local use.
- A member asked if the Institute would explore the use of electronic signatures (or e-signatures) in auditor's reporting and documentation.

Action

SSD replied that an Alert was issued by the Institute in March 2022 to remind the Institute's members that there was nothing in the Hong Kong Standards on Auditing prohibiting the use of e-signatures. Firms using e-signatures in audit documentation or reporting would need to ensure compliance with the Electronic Transactions Ordinance (Cap. 553) and relevant legislations. They would also need to consider whether specific regulators would allow the use of e-signatures in the reporting. SSD reminded the Committee that it had reported the discussion SSD had with the various regulators from specialized industries like investment funds, banking and securities in February this year. The Chairman remarked that it was for the firms to decide whether to pursue the application of e-signatures in audit documentation and reporting.

3063. Update on International Meetings

The Committee noted that representatives of the Institute participated at the Paris Conference virtually on 3-4 May; and the IAASB National Standard Setters (NSS) virtual meeting on 11-12 May.

SSD provided the Committee with updates on key items discussed during the Paris Conference and the NSS meeting including:

- A high-level feedback from the responses to the exposure draft of the LCE standard.
- A need for a clear scope of the LCE standard and it should also appropriately include audits of groups.
- The IAASB's direction for assurance reporting on sustainability and ESG reporting.

The Chairman remarked that the proposed LCE standard would be discussed by the IAASB in its June meeting and SSD would keep the Committee informed of any updates.

3064. Initial comments to IESBA's Exposure Draft *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*

The Committee noted the initial comment letter prepared by SSD and provided the following comments for SSD and Ethics Committee's consideration:

- The Institute should not confine the comments to a particular group of practitioners. It was suggested to update some of the drafting language in the comment letter, without changing the Institute's view that imposing PIE independence requirements to non-network component audit firms in their audits of non-PIE entity components might result in unintended consequences such as limiting corporates' choices of auditors.
- With respect to the audit of a non-PIE entity component, it might not be appropriate to suggest IESBA to apply the PIE independence requirements to non-network component audit firms on a materiality basis

as components which were considered not material would generally not be included for the purpose of a group audit engagement. An alternative way was to suggest IESBA to consider applying indicative factors or providing exemption to the requirement in particular circumstances, rather than adopting a one-size-fit-all criteria.

[Post meeting note: The revised draft comment letter incorporating the Committee's comments was circulated to the Ethics Committee for consideration on 24 May.]

3065. Latest development of eMPF

SSD updated the Committee on the latest development of the proposed reporting in relation to the eMPF project. The Committee noted that SSD and the Institute's Investment Funds Regulatory Advisory Panel ("IFRAP") had participated in the meeting with the Mandatory Provident Fund Schemes Authority ("MPFA") and other stakeholders to discuss the impact on the audit arrangement and the auditor's reporting.

The Committee also noted the SSD's initial work plan to discuss with IFRAP at the next meeting on 26 May. SSD would report to the Committee for any updates of the project in due course.

3066. Quality Management Manual Project

The Committee noted that since 2019, SSD had undertaken a range of initiatives to promote and support the implementation of the new quality management ("QM") standards, such as presentations at the Institute's annual auditing conferences and SMP symposiums; provision of trainings and an online QM resources center. The Committee also noted that SSD was in the process of engaging a service provider to develop a quality management manual ("QMM"), and endeavored to release it in Q3/2022. SSD re-iterated that the QMM would only be a supplemental tool, rather than an essential tool, to assist firms to develop their system of quality management ("SOQM"). The Committee was requested to encourage their fellow practitioners to familiarize themselves with the new requirements and set up their SOQM, rather than waiting for the Institute's QMM to address that.

As the QM standards would be effective in December, the Committee suggested issuing an alert to Institute's members on (a) practitioners' responsibilities to set up their SOQM by 15 December 2022; (b) trainings and resources available to support the implementation of QM standards; and (c) practical tips for getting started with the SOQM set-up.

SSD

SSD would keep the Committee updated on the project's status.

[Post meeting note: The [alert](#) was issued on 14 June.]

3067. Any other business

The Committee noted that the next meeting would be held on 21 June and was requested to suggest any agenda items by 30 May.

There being no further business, the meeting closed at 9:35 a.m.

PAUL HEBDITCH
CHAIRMAN

14 June 2022