



Minutes of the 407th Meeting of the Auditing and Assurance Standards Committee

- Date: Wednesday, 29 March 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)
Prof. Koon-Hung Chan (dial-in)
Mr. Tony Ching (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, 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: Mr. Ambrose Wong, Accounting and Financial Reporting Council
Ms. Kristian Ko, Accounting and Financial Reporting Council
- Apologies: Mr. Ivan Chan

3116. Minutes of the 406th meeting

The Committee approved the minutes of the 406th meeting.

3117. Work plan status report and update from working groups

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

- Comments to the Accounting and Financial Reporting Council (the "AFRC") on its Audit Fee Report released in March 2023

The Committee discussed and agreed not to submit comments to the AFRC as the topic was considered not within the remit of the Committee under its Terms of Reference.

Action

[Post meeting note: The Institute's members were informed of the AFRC's Audit Fee Report with its highlights via Technical News on 29 March 2023 and is available at:

<https://www.hkicpa.org.hk/en/News/Communications/E-newsletter/Technical-News/20230329.>

- Guidance on auditor's reporting relating to regulatory compliance for virtual asset trading platform operators licensed by the SFC and the audit of smart contract based on blockchain

SSD explained to the Committee that any guidance on auditor's reporting would be included on the Committee's work plan based on the criteria for undertaking projects as set out in SSD's Standard Operating Procedure approved in February. SSD has been requested to monitor the relevant regulatory development.

[Post meeting note: SSD clarified that the project had been included in the AASC February's work plan under C3 – Proposed guidance for audit of licensed firms for further consideration.]

- Assurance on sustainability reporting

It was proposed that a task force would be proposed to be set up under the auspices of the Committee to consider issues or/and develop guidance relating to assurance on sustainability reporting in due course.

3118. IAASB Consultation Paper, The IAASB's Proposed Strategy and Work Plan for 2024–2027 ("Proposed Strategy")

The Committee considered the comments received from the local invitation to comment on the IAASB's Proposed Strategy. Subject to a comment received at the meeting regarding incorporation of ISA 505, *External Confirmations* into the comment letter, the Committee approved the draft submission to the IAASB.

[Post meeting note: The revised submission to the IAASB was circulated to the Committee on 31 March 2023 and submitted to the IAASB on 11 April 2023 respectively. The comment letter is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2023/sub_wkp.pdf?la=en&hash=E0DFCA0B28E4EEAE7DD558228E9D0C59

3119. IAASB's Exposure Draft Proposed ISA 500 (Revised), Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs ("ED-ISA 500")

The Committee considered the comments received from the local invitation to comment and the online survey on the IAASB's ED-ISA 500 and remarked that the proposed changes were not controversial. The Committee approved the proposed comment letter for submission to the IAASB.

[Post meeting note: The comment letter was submitted to the IAASB on 19 April 2023 and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2023/500isa/pdf_500.pdf]

3120. IAASB’s Exposure Draft Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and Proposed Conforming Amendments

SSD reported to the Committee the feedback received from the Institute’s Small and Medium Practices Committee that had been considered by SSD in the proposed approach for drafting the submission to the IAASB.

The Committee considered and agreed with SSD’s proposed drafting approach, and noted the draft submission would be prepared for the Committee’s approval in due course.

SSD

[Post meeting note: The comment letter was circulated for the Committee’s approval on 18 April 2023 and submitted to the IAASB on 2 May 2023. The comment letter is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2023/10LCE/sub_p10.pdf]

3121. Updates to members’ handbook (volume III) to align with the 2021 IAASB handbook

The Committee considered that the proposed changes to the members’ handbook (volume III) were mainly editorial and housekeeping in nature, the Committee approved to issue the updates.

[Post meeting note: Updates to the Members’ Handbook (volume III) were issued on 29 March 2023 in Members’ Handbook Update No. 289 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update-289.pdf>.]

3122. Post implementation review of implementation issues of Hong Kong Engagement Standards

SSD reported to the Committee that five implementation issues of the Hong Kong Engagement Standards had been received from the Request for Information conducted by SSD in January 2023. SSD provided the Committee with the nature of the five implementation issues, the analysis performed and proposed actions for each issue for consideration. Comments were received at the meeting and summarized below.

- (a) Extent of documentation of group auditor’s evaluation of the component auditor’s work

In addition to SSD’s proposed actions to arrange appropriate training and to develop an online resource centre relevant to HKSA 600 (Revised), it was suggested to initiate dialogue with the regulator to

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better understand their expectation of the documentation in the group auditor's files regarding evaluation of the component auditor's work.

[Post meeting note: The online resource centre is available at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/New-and-major-standards/New-and-Major-Standards/HKSA-600-Revised-Special-Considerations.>]

(b) Impact of technology on evaluating the audit evidence

The Committee considered that the related comments had been covered in the response to the IAASB in the consultation on its Strategy and Work Plan 2024 – 2027 and on its exposure draft ISA 500 (Revised). It was suggested, therefore, to continue including a session in the upcoming Annual Auditing Update Conference to keep members' updated of the recent technological developments that might impact the audit profession.

(c) Consideration of materiality in applying paragraphs 11(a) and 11(b) of HKSA 710

The Committee agreed with SSD's analysis that the requirement to modify the auditor's opinion under paragraph 11(b) addressed specific circumstances where there was an unresolved matter from the previous period's audit. Materiality would not be applied as there would always be effects or possible effects on the comparability of the two years' figures. Accordingly, no action was agreed to be taken.

(cii) Modification of opinion under HKSA 710 and HKSA 510

It was observed that there was no explicit guidance in HKSA 710 and HKSA 510 addressing the assumed scenario. It was agreed for SSD to seek clarification with the international standard setter and consider developing local guidance such as a FAQ to address the issue.

(d) HKSIR 200 – Objectives and nature of independent testing of audit evidence; requirements of independent testing of audit evidence was not found in the group audit standard

It was noted that the detailed guidance and application materials including the objectives and nature of independent testing were provided in HKSIR 200. A member also remarked that group audit was applicable in HKSIR 200 engagements in practice. Accordingly, it was agreed to take the comments up to the Investments Circular Reporting Advisory Panel for further consideration.

(e) HKSIR 500 – No discussion of impact of modified opinion on material uncertainty related to going concern for the prior period's financial statements; lists of factors for evaluating the management's assumptions

SSD was of the view that HKSIR 500 was a principles based standard and it might not be possible to list out all examples or factors in the standard. SSD proposed and the Committee agreed to take the comments up to the Investment Circular Reporting Advisory Panel to consider developing further guidance.

The Committee further suggested to issue the future guidance in the context of the post implementation review conducted by the Committee.

3123. Any other business

The next meeting would be held on 25 April and the Committee was requested to suggest any agenda items by 30 March.

There being no further business, the meeting closed at 9:55 a.m.

PAUL HEBDITCH
CHAIRMAN

4 May 2023