



Minutes of the 392nd Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 20 May 2021 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: Ms. Loretta Fong (Chairman)
Mr. Paul Hebditch (Deputy Chairman)
Ms. Susanna Lau (Deputy Chairman)(dial-in)
Mr. Derek Broadley (dial-in)
Mr. Edmond Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Ivan Chan (dial-in)
Mr. Tony Ching
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Mr. Gary Stevenson (dial-in)
Mr. William Wong (dial-in)
Ms. Basilia Wong (dial-in)
Mr. Thomas Wong (dial-in)
- In attendance: Mr. Chris Joy, Executive Director
Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Manager, Standard Setting
Ms. Phoebe To, Manager, Standard Setting
- Observer: Ms. Cynthia Leung, Financial Reporting Council (dial-in)

Action

2990. Minutes of the 391st meeting

The Committee approved the minutes of the 391st meeting.

2991. Work plan status report and update from working groups

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

2992. Update on National Standard Setters meeting

The Chairman of the Committee, Executive Director and staff of the Institute participated in the National Standard Setters meeting of the International Auditing and Assurance Standards Board (IAASB) held virtually on 12 and 13 May 2021. SSD provided updates on key items discussed during the meeting such as the project status of IAASB's separate standard for audits of less complex entities (LCE standard); IAASB work plan and framework for activities; IAASB's handbook digitalization plan.

2993. IAASB’s separate standard for audits of less complex entities

SSD provided an update on the progress of IAASB’s LCE standard and the latest changes to the draft, such as incorporating more guidance on the characteristics of less complex entities and the inclusion of the new and revised quality management standards. It was anticipated that the IAASB would issue an exposure draft in July for a six-month consultation period.

The Committee noted that the LCE standard would be principles-based and the requirements are based on the International Standards on Auditing (ISAs) applicable to a LCE. The Committee also anticipated a mapping document by the IAASB on the requirements from the ISAs which have or have not been included in the LCE standard.

2994. Adoption of IAASB’s Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements

In April 2021, the IAASB issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* (IAASB EER Guidance). While the Institute would follow the International Convergence Programme to adopt the IAASB EER Guidance for local use, the Committee discussed the following adoption options:

- (1) Retaining the Institute’s Technical Bulletin 5 *Environmental, Social and Governance (ESG) Assurance Reporting* (AATB 5) as a stand-alone guidance while adopting the IAASB EER Guidance separately as Technical Bulletin 6 (AATB 6); or
- (2) Incorporating the local guidance in AATB 5 into the local version of the IAASB EER Guidance.

The Committee discussed the pros and cons of both options. The meeting noted that majority of members supported retaining AATB 5 as a stand-alone guidance. ESG assurance is the mostly-seen EER assurance type in Hong Kong. AATB 5 was developed to provide relevant local guidance. Should AATB 5 be merged with the IAASB EER Guidance, the consolidated guidance would be very lengthy and might confuse local practitioners where some materials may not be relevant for ESG assurance. The Committee also noted that at the time of developing AATB 5, the ESG Working Group had considered the exposure draft version of the IAASB EER Guidance. Accordingly, contents in the IAASB EER Guidance relevant to an ESG assurance reporting had been incorporated into AATB 5.

The majority of the Committee agreed to retain AATB 5 as a stand-alone guidance while adopting the IAASB EER Guidance separately as AATB 6. The Committee noted that AATB 5 would apply to an assurance engagement on ESG information prepared under the requirements of the Hong Kong Exchanges and Clearing Limited (HKEX), whereas the proposed AATB 6 would cover a broad spectrum of EER assurance including information prepared outside the HKEX regime.

In order for practitioners to apply the appropriate technical bulletin, SSD was requested to provide guidance on and differentiate the use of AATB 5 and AATB 6. SSD was also requested to update the existing AATB 5 to align with relevant contents in the IAASB EER Guidance.

SSD

2995. Proposed FAQ on the retention period for engagement documentation

To support the implementation of the new and revised quality management standards, SSD had drafted a FAQ to provide guidance on the retention period for engagement documentation. The Committee noted that HKSQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* does not prescribe the actual length of retaining engagement documentation although it specifies the retention period should not be less than five years. It was reported that there was no legislative or regulatory requirement in Hong Kong prescribing the retention period for firms' engagement documentation.

The Committee reviewed the proposed FAQ and provided comments. It was agreed that the FAQ would not prescribe a specific length of retention period, but would recommend factors and references that practitioners should consider in order to determine an appropriate retention period.

[Post meeting note: The revised FAQ was circulated to the Committee for comments on 28 May.]

2996. Auditor's reporting requirements for the "Funding Scheme for Children's Well-being and Development"

In April 2021, SSD received an enquiry from the Commission on Children (Commission) established by the HKSAR Government who operated the "Funding Scheme for Children's Well-being and Development" (Scheme). Upon the Commission's request, SSD reviewed the auditor's reporting requirements and specimen report the Commission developed for the grantees' auditors and found certain aspects of the specimen report to be non-compliance with the Institute's professional standards. Though SSD proposed to develop the relevant requirements and specimen report for the Scheme, the Commission may consider SSD's proposed changes at its next round of application for 2022.

The Committee discussed the issue and noted that practitioners following the Commission's reporting requirements would depart from the Institute's professional standards and be exposed to an unknown risk. The Committee agreed on the following:

- To issue a communication to practising members on the resulting non-compliance from HKICPA professional standards should the Commission's reporting requirements be followed and the Institute's recommendations on the issue.
- To draw the Commission's awareness on the resulting non-compliance and propose a timeframe to resolve the issue.
- To reach out to the appropriate government bureau to communicate with various government departments on the importance of setting appropriate reporting requirements for auditors in accordance with the Institute's pronouncements.

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2997. Use of e-signatures in the auditor's report

The Committee noted that the use of e-signatures for reporting purposes was discussed at liaison meetings between SSD and the various regulators.

The Committee suggested SSD to carry out further research such as

reaching to other regulators to get a sense of regulators' thoughts on the use of e-signatures in auditor's reports and/or financial statements.

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

LORETTA FONG
CHAIRMAN

4 June 2021