



Minutes of the 393rd Meeting of the Auditing and Assurance Standards Committee

- Date: Tuesday, 20 July 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)
Mr. Derek Broadley (dial-in)
Mr. Edmond Chan (dial-in)
Prof. Koon-Hung Chan (dial-in)
Mr. Ivan Chan (dial-in)
Mr. Tony Ching (dial-in)
Ms. Angela Choi (dial-in)
Mr. Louis Lau (dial-in)
Mr. Gary Stevenson (dial-in)
Mr. William Wong (dial-in)
Miss. Basilia Wong (dial-in)
Mr. Thomas 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 (dial-in)
- Observer: Ms. Cynthia Leung, Financial Reporting Council (dial-in)
- Apologies: Ms. Susanna Lau (Deputy Chairman)

Action

2998. Minutes of the 392nd meeting

The Committee approved the minutes of the 392nd meeting.

2999. Work plan status report and update from working groups

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

3000. Draft response to IAASB Survey Consultation – The IAASB's Work Plan for 2022-2023

SSD walked the Committee through the stakeholder's survey on the IAASB's Work Plan for 2022-2023 (the "survey"). The Committee discussed and agreed to incorporate the comments in the proposed response to the survey:

- Topics on "Responding to Assessed Risks", "Analytical Procedures" and "Audit Sampling" to be bundled and considered of the highest priority, followed by the topics on "Using the Work of An Auditor's Expert" and "Review of Interim Financial Information", given that those auditing standards were commonly used and had a wide impact on the audits of financial statements .

- Topic on assurance for climate change disclosures could be considered after revision of the ISAs, as there was increased discussion on how the climate risks disclosures affect financial statements audits.
- Topic on “Joint Audits” to be ranked at a lower priority as it was not a common practice in Hong Kong.
- Proposed to include assurance for virtual assets on the IAASB’s work plan.

SSD would revise the draft response for circulation to the Committee for approval.

SSD

[Post meeting note: A revised draft response was approved by circulation on 30 July 2021. SSD submitted the survey response on 5 August 2021.]

3001. Exposure draft on proposed revisions to PN 740 (Revised) Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules

The Committee noted that the Investment Circular Reporting Sub-Committee proposed revisions to PN 740 with aims to provide more practical guidance for auditors when reporting on continuing connected transactions as well as to align with the latest references in the Listing Rules or guidelines issued by The Stock Exchange of Hong Kong Limited (“HKEX”).

The Committee was informed that the draft PN 740 (Revised) was circulated to HKEX with no particular comments received.

The Committee considered the proposed changes to PN 740 and subject to editorial changes, the Committee approved to issue the exposure draft on the proposed PN 740 (Revised) for one-month comment period.

[Post meeting note: Exposure draft for one-month comment period was issued on 29 July 2021 and the link is:
<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance>*]*

3002. Revision to Technical Bulletin AATB 5 and Proposed Technical Bulletin AATB 6

The Committee considered and approved the proposed revision to Technical Bulletin AATB 5 *Environmental, Social and Governance (ESG) Assurance Reporting* and the proposed Technical Bulletin AATB 6 *Non-Authoritative Guidance on Applying HKSAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*.

SSD would inform members of the revised AATB 5 and the new AATB 6 with guidance to differentiate the use of the two sets of materials via the most appropriate means of communication (e.g. the Institute’s Alert or Tech News).

SSD

The Committee also recommended to provide additional references on the front page of the respective technical bulletins indicating that the users should read/consider in conjunction with the relevant Alert/ Tech News published by the Institute.

SSD

[Post meeting note: The revised AATB 5 and AATB 6 were issued on 5 August 2021 and are available at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Our-views/Technical-bulletins-and-circulars/Auditing-Bulletins-and-Circulars>]

3003. Proposed agenda for the Annual Auditing Update Conference

The Committee noted the Annual Auditing Update Conference would be held on the morning of 30 October 2021. To minimize the risk of COVID-19 spreading in the community, SSD proposed and the Committee agreed to host the conference by way of a live webinar. The presentations would take place at the Institute's premises. The conference would be recorded and released as an e-learning at a later date for members' subscription.

The Committee considered the proposed topics and further recommended some topics for SSD's consideration:

- Professional skepticism
- How infrastructure improvement impact on audit quality
- Integrated audit
- Climate risks – impact on financial statements audits

The Chairman welcomed the Committee to nominate speakers for the conference.

SSD further updated the Committee that with the direction provided by the Ethics Committee, educational materials relating to ethical requirements would be offered to the Institute's members in due course, for examples, practical workshops on strengthening professional skepticism by making use of ICAEW's training materials, etc.

3004. Proposed FAQ on the retention period of engagement documentation

The Committee considered the revised FAQ on the retention of engagement documentation and subject to editorial changes; the Committee approved the FAQ for issuance. The editorial comments provided were:

- suggested providing the relevant guidance extracted from HKSA 230 *Audit Documentation* by inserting a separate paragraph in the FAQ.
- suggested removing "(including audited financial statements)" and the footnote 2 from the FAQ to focus the FAQ's content on the retention period rather than the nature of audit documentation.

SSD would revise the FAQ and circulate it to the Committee for final review before issuance.

SSD

[Post meeting note: The revised FAQ was circulated to Committee for final review on 23 July 2021 and was issued on 5 August 2021. The link is: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/New-and-major-standards/New-and-Major-Standards/Quality-Management-for-Firms-and-Engagements>]

3005. Proposed alert on auditor’s reporting requirements for the Funding Scheme for Children’s Well-being and Development (the “Scheme”)

The Committee noted that:

- SSD had communicated with the Commission on Children (the “Commission”) for certain aspects on its specimen report for the Scheme.
- As an interim measure, SSD developed the proposed alert to members on the resulting non-compliance with the Institute’s professional standards should the Commission’s reporting requirements be followed.
- SSD would further liaise with the Commission on propose a timeframe to resolve the issue.

The Committee considered the proposed alert and subject to editorial changes, the Committee approved the alert for issuance.

[Post meeting note: The revised alert was circulated to the Committee for final review on 23 July 2021 and was issued on 3 August 2021 (the link is https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Our-views/Technical-bulletins-and-circulars/Alert_Financial-Reporting-Auditing-and-Ethics).]

3006. Any other business

- Update on the use of e-signatures in the auditor’s report

At the May meeting, the Committee noted that the use of e-signatures for reporting purposes was discussed at liaison meetings between SSD and the various regulators and requested SSD to conduct further research such as the Inland Revenue Department (“IRD”). SSD updated that the IRD was undertaking a project to develop electronic filing of profits tax returns (“e-filing”) to facilitate e-submission of financial statements and tax computations in eXtensible Business Reporting Language (“iXBRL”) format. As part of the project, the IRD was also developing a tool for businesses to convert their financial statements and tax computations with traditional format into iXBRL data files for e-filing purposes.

The Committee was also informed that as reported in May, the other regulators had no further insights in terms of the use of e-signatures for auditor’s reporting, as long as the Electronic Transactions Ordinance (Cap. 553) (“ETO”) was complied with in addition to the requirements in the Companies Ordinance (Cap. 622) and other ordinances where applicable.

SSD further referred the Committee to a guide published by ICAEW which also just listed out the factors to be considered by auditors around the use of e-signatures in the auditor’s report. SSD would circulate the ICAEW’s publication on electronic signature to the Committee for reference subsequent to the meeting.

[Post meeting note: The ICAEW’s publication “Using an Electronic Signature to Sign an Audit Report” was circulated to the Committee on 21 July 2021.]

There being no further business, the meeting closed at 9:45 a.m.

LORETTA FONG
CHAIRMAN

31 August 2021