



**Minutes of the 394<sup>th</sup> Meeting of the Auditing and Assurance Standards Committee**

- Date: Tuesday, 14 September 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
- Observer: Mr. Ambrose Wong, Financial Reporting Council (dial-in)
- Apologies: Ms. Susanna Lau (Deputy Chairman)

Action

**3007. Minutes of the 393<sup>rd</sup> meeting**

The Committee approved the minutes of the 393<sup>rd</sup> meeting.

**3008. Work plan status report and update from working groups**

The Committee considered the report and noted progress of various projects. In particular, projects regarding update of the Annual Practice Manual and the development of the new Quality Management Manual were newly added to the work plan and would be discussed in ITEM 8 and ITEM 9 of the meeting.

**3009. Outreach activities on Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (“ED ISA for LCE”)**

The Committee noted that the Chairman and staff of SSD attended a virtual session organized by IAASB on 1 September to understand the IAASB’s outreach activities on the ED ISA for LCE.

SSD reported to the Committee that the Institute had issued an Invitation to Comment in July and an online survey in August to seek local stakeholders’ views on the ED ISA for LCE and welcomed Committee’s comments.

SSD further walked the Committee through the Institute's proposed outreach plan on ED ISA for LCE and agreed that the outreach plan enabled effective ways to solicit feedback from various stakeholder groups. The Committee noted that SSD would report the stakeholders' feedback received from the outreach activities at the upcoming meetings and prepare a draft comment letter for the Committee's consideration in due course.

The Committee was requested to nominate speakers for the webinar on the ED ISA for LCE in Cantonese.

**3010. Conforming amendments to the local guidance as a result of HKSRS 4400 (Revised), Agreed-Upon Procedures ("AUP") Engagements**

The Committee noted that a total of eleven local guidance had been updated with the conforming amendments to HKSRS 4400 (Revised). SSD briefed the Committee on the drafting conventions and any specific revisions made to the various local guidance. The revisions have been reviewed by the various sub-committee, working groups and industry advisory panels (collectively, "the WGs"). The Committee considered the first batch and no particular comments were received.

SSD further reported that the WGs had completed the review of the second batch consisting three revised local guidance ("the second batch"). The Committee agreed for SSD to circulate the second batch to the Committee for consideration and approval subsequent to the meeting.

SSD

The Committee was further informed that:

- There would be two sets of the local guidance available to members after the issuance of the revised set. The old set would be withdrawn from the Members' Handbook/ the Institute's webpage some time later next year.
- The exposure draft of the local guidance would be communicated to the stakeholders via usual means of communication and invited to provide comments during the comment period

Subject to the Committee's approval for the second batch, the Committee approved to issue the exposure draft of the local guidance for one-month comment period.

*[Post meeting note: The second batch was circulated to the Committee for review on 14 September 2021. Exposure draft of all local guidance for one-month consultation period was issued on 27 September 2021 and the link is: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA-Standards-and-regulation/SSD/02\\_Open-for-comment/auditing/2021/i2c\\_4400p.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA-Standards-and-regulation/SSD/02_Open-for-comment/auditing/2021/i2c_4400p.pdf)]*

**3011. Exposure draft on proposed revisions to PN 850 (Revised), Reporting on Flag Days, General Charitable Fund-raising Activities and Solicitation of Signed Authorisation Forms ("SSAF") Covered by Public Subscription Permits issued by the Social Welfare Department ("SWD")**

The Committee noted the extant PN 850 (Revised) was revised as a result of the new regulatory regime for SSAF which would commence on 1 January 2022 and this practice note would be effective for applications for SSAF made on or after 2 July 2021.

The Committee and SSD discussed and noted the matters below:

- The expenditures spent by the permittees across various SSAF activities would be accounted for on pro-rata basis as set out in paragraph 14 of the SWD's *Guidelines on Preparing the Income and Expenditure Account and Corresponding Internal Control Measures of the Public Subscription Permit (SSAF)*.
- According to SSD's understanding, the practitioner who would be engaged to report under PN 850 (Revised) need not necessarily be the same as the permittees' financial statements auditor. Therefore, under the circumstances, the practitioner was expected to understand the internal controls of the permittees in order to fulfil the reporting requirements of PN 850 (Revised).

The Committee approved to issue the exposure draft of PN 850 (Revised) for one-month consultation period.

*[Post meeting notes:*

*SSD circulated the PN 850 (Revised) which added two recommended procedures on the Appendix 1 regarding the allocation of expenditures for the Committee's final review on 14 September 2021. The exposure draft was issued on 23 September 2021 and the link is: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02\\_Open-for-comment/auditing/2021/pn850f.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/auditing/2021/pn850f.pdf)*

**3012. Issuance of PN 740 (Revised), Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules**

SSD reported to the Committee that the comment period for the Exposure Draft of PN 740 (Revised) had ended on 30 August and no comments were received.

The Committee further suggested inserting hyperlinks to refer the definition of continued connected transactions to the Main Board and GEM Listing Rules in PN 740 (Revised). Subject to this amendment, the Committee endorsed to issue PN 740 (Revised) in final.

*[Post meeting note: The updated PN 740 (Revised) was circulated to the Committee for final review on 14 September 2021 and was issued on 28 September 2021 in Members' Handbook Update No.265 and is available at <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update265.pdf>*

**3013. Programme for the Annual Auditing Update Conference ("AAU")**

The Committee considered the programme with the proposed rundown of the AAU to be held on 30 October 2021 and provided the following comments:

- Speaker to consider including a sub-topic relating to work-life balance in the session of "Enhancing Audit Quality".
- To consider allocating more time for the sessions of "Update on IAASB Projects" and "Question and Answer".

SSD explained to the Committee that the Institute would communicate the comments to the speakers.

**3014. Indicative update to the Institute’s Audit Practice Manual (“APM”) and indicative development of a quality management manual (“new QM manual”)**

The Committee noted the indicative update of the APM and the new QM manual to address the new requirements as set out in HKSA 315 (Revised 2019) and the new and revised quality management standards respectively. SSD reported that potential writers were identified and SSD also provided the Committee with its tentative plans on the APM update and the new QM manual, as follows:

- To review and assess the proposals of the potential writers, and the selection process would follow and comply with the Institute’s procurement policy.
- To set up working groups consisting personnel from the Committee’s firms with competency to perform an in-depth technical and practical review on the APM update and the new QM manual.

The Committee considered that the competency, capability and continuity of the writers were all important factors for consideration during the selection process. The Committee recommended the Institute to consider collaborating with the writers of the extant APM and the extant QM manual and especially for the new QM manual as users were familiar with the extant manuals. It was expected that users might find it easier to adopt the new version when it was released if they were updated by the same writers.

The Committee also inquired of the intellectual property (“IP”) right and the feasibility of digitalization of the APM. SSD explained that:

- The Institute owned the APM’s IP rights.
- The Institute is exploring to integrate APM with off-the-shelf audit softwares service providers to cater for the local market.

The Committee considered the importance of the APM update and the new QM manual development, and endorsed to set up working groups to provide high level review on the technical contents of the manuals. The Chairman thanked a member who volunteered to be one of the working group members and further welcomed the Committee to nominate candidates to participate in the working groups.

**3015. Any other business**

The Committee noted that the next meeting would be held on 26 October 2021 and was requested to suggest agenda items by 5 October.

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

LORETTA FONG  
CHAIRMAN

29 September 2021