



**Minutes of the 395<sup>th</sup> Meeting of the Auditing and Assurance Standards Committee**

Date: Tuesday, 26 October 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)  
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)  
Mr. Thomas Wong (dial-in)

In attendance: Ms. Cecilia Kwei, Director, Standard Setting  
Ms. Selene Ho, Deputy Director, Standard Setting  
Mr. Norman Chan, Associate 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: Miss. Basilia Wong

Action

**3016. Minutes of the 394<sup>th</sup> meeting**

The Committee approved the minutes of the 394<sup>th</sup> meeting.

**3017. Work plan status report and update from working groups**

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

**3018. Update on the 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 SSD had carried out the outreach activities according to the plan agreed by the Committee. SSD further walked the Committee through the feedback solicited from the roundtable discussion with the Institute's Small and Medium Practices Committee that held on 5 October and the online survey. The Committee considered the stakeholders' feedback with the draft comments on the ED-ISA for LCE and provided the following comments:

- Applicability of the proposed standard to entities with accounting

estimates: It was suggested that IAASB may consider allowing flexibility to practitioners, by applying professional judgement, to determine the level of complexity of the audits and hence the appropriateness in adopting the LCE framework (i.e. whether the audit of a company that accounted for its account balance, e.g. investment properties, with fair value accounting estimates that use unobservable inputs would be necessarily considered as complex and hence it would not be appropriate to adopt the LCE framework).

- Exclusion of audits of group financial statements: It was suggested not to restrict the number of locations in case of a multi-location audit.

Apart from the high-level introduction of the ED-ISA for LCE at the Annual Auditing Conference on 30 October, the Committee also noted that SSD would host another roundtable discussion to interact with stakeholders seek feedback on 9 November and a webinar in Cantonese to provide an overview of the proposed standard on 19 November. The online survey will close on 30 November 2021. The Committee was welcomed to invite his/her fellow and the Institute's members to submit the online survey in order to solicit more feedback from local stakeholders for consideration.

SSD would report the stakeholders' feedback received from these outreach activities at the upcoming meetings and prepare a draft comment letter for the Committee's consideration in due course.

**3019. Proposed responses to request for information relevant to the IAASB's Going Concern, Audit Evidence and PIE Projects ("RFI-Responses")**

The Committee noted the objectives of the IAASB's requests for information on their projects on going concern, audit evidence and PIE and considered the respective proposed RFI-Responses. In respect of the proposed responses to the going concern project, the Committee provided the comments below:

- To modify the response by quoting paragraph 15 of HKSA 570 (Revised) and suggest IAASB to consider developing further practical guidance on the procedures to be performed by the auditors. SSD
- To document the reference to the Hong Kong Listing Rule Appendix 16. SSD

Subject to the above comments, the Committee approved the RFI-Responses for submission to the IAASB by 1 November 2021.

*[Post meeting note: The revised response to the going concern project was circulated to the Committee for final review on 27 October 2021. The RFI-Responses were submitted to IAASB on 1 November 2021.]*

**3020. Proposed responses to IAASB's survey on Drafting Principles and Guidelines ("survey")**

The Committee noted the background and the IAASB's objectives of setting the drafting principles and guidelines, and the proposed responses to the survey. The Committee also noted that the drafting principles and guidelines would be applied to new and revised International Standards on Auditing prospectively by IAASB's staff and task forces and would be finalized after IAASB had received comments on the exposure draft of the LCE project as such drafting principles and guidelines were applied to this exposure draft.

The Committee considered and agreed the responses to the survey. SSD would submit the survey responses to IAASB in due course.

*[Post meeting notes: SSD submitted the survey responses on 27 October 2021.]*

**3021. Endorsement on the final issuance of the revised Circular on Reporting to Grantees of Language Fund (“Circular”)**

SSD reported to the Committee that the Circular had been reviewed by Language Fund in April and September 2021 and no comments were received.

In respect of the assumption on “the auditor determined there is no other information” in Appendix 1 of the Circular, the Committee discussed if there would be an implication on the auditor’s report (i.e. to include the “Other Information” paragraph in accordance with HKSA 720 (Revised) *The Auditor’s Responsibilities Relating to Other Information*). SSD would review the Language Fund’s reporting requirements in light of HKSA 720 (Revised) and propose further amendments to the Circular if needed.

SSD

Subject to the Committee’s endorsement, the Circular would be issued in final at the same time as the conforming amendments to HKSRS 4400 (Revised), *Agreed-Upon Procedures Engagements* which had been exposed for comments until 27 October 2021.

*[Post meeting notes: SSD checked to the 379<sup>th</sup> meeting minutes of AASC that the issue had been discussed and followed up by SSD subsequent to that meeting, with the following final conclusion reached by SSD and the Committee as below:*

*“The Committee agreed with SSD’s proposal for leaving the Circular as status quo to avoid over-complicating the engagement, given that the unaudited supplementary information refers to the budgetary information included in the Income and Expenditure Statement and Notes to the financial statements as unaudited information; and the nature of engagement (including the fact that the Education Bureau has not specified any procedures to be performed on the supplementary information), it is considered that there should not be any controversial issue arising from the current audit approach.”*

*The Committee approved the Circular by circulation on 5 November 2021.]*

**3022. Composition and proposed terms of references of the Audit Practice Manual (“APM”) Advisory Panel and the Quality Management Manual (“QM Manual”) Advisory Panel**

SSD provided the Committee with progress updates of the APM and QM Manual projects and thanked the Committee’s nominations of candidates for the respective advisory panels. The Committee considered the competency of the candidates and approved the composition of the APM Advisory Panel and QM Manual Advisory Panel.

The Committee also considered the proposed terms of references (“TOR”) of the APM Advisory Panel and QM Manual Advisory Panel. A few amendments on the TOR were suggested to reflect the scope of work.

Subject to these amendments, the Committee approved the TOR to be adopted for the panels.

**3023. Any other business**

SSD provided a few reminders to the Committee as below:

- The Annual Auditing Conference will be held on 30 October and over 700 enrollments were received up to 25 October. Members were encouraged to enrol.
- Emails on (a) seeking members' feedback on the Committee's performance and (b) inviting members for 2022 Committee's nominations were previously sent by the Institute. Members were strongly encouraged to send their feedback and submit their interests/ nomination forms to the Institute by 15 November and 26 November 2021 respectively.
- The next meeting would be held on 18 November 2021 and was requested to suggest agenda items by 28 October.

There being no further business, the meeting closed at 9:50 a.m.

LORETTA FONG  
CHAIRMAN

9 November 2021