

2. (untitled)

1. From which perspective are you providing this feedback? [* Required where indicated]

Regulator

Please provide the following contact information:

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Shenzhen Stock Exchange

2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)

If country, please select country?

China

OR if a region of the world, please indicate which region:

OR if international, please indicate by ticking the box:

3. (untitled)

B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Audit works change tremendously due to rapid development of information technologies. Audit techniques and measures have been updated from time to time.

On the one hand, clients no longer providing paper files like photos and printed documents, instead they are now providing electronic data. Audit working objects have already converted to stream media data and cloud data gradually. On the other hand, audit techniques have undergone fundamental changes. Manual sampling technique has been substituted by electronic data mining technique. Under such environment, following ethical implications should be considered:

1. New ethics standards are needed to address the behavior patterns and operation guidelines on moral issues caused by utilizing new information technologies. The principle of ethics standards should remain unchanged.

2. New characteristics of utilizing new information technologies should be analyzed and assessed carefully. Besides holding those five fundamental principles, new guidelines should be enacted to cope with those issues with such characteristics. (e.g., the usages and privacy codes for data acquired from the cloud servers, the ownership of audit evidences gathered from the electronic database of clients.)
3. The basic principles of separating audit services and assurance services should also be applied to newer types of services such as cyber-security advisory services. Standards and regulations which complied into codes of conducting those emerging services are ought to be consistent with current existing codes.
4. In accordance with the new trend that audit data are usually transmitted electronically and stored in the cloud, detail guidelines and regulations should clarify the ownership, confidentiality and legal liability issues when PAs conduct audit services.
5. For the situation when the audit information might be processed and transmitted by third party service providers, correspondent codes should clearly note duties for each participant, especially duties of confidentiality. PAs shall be jointly and severally liable for the secrecy obligations of third parties they hired for data extraction and storage.

B.2 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

1. When PAs conducting Non- assurance services, it is difficult for them to distinguish between management and consultation responsibility since they might be deeply involved in the corporate operations. PAs are usually highly devoted into designing, arranging and operating client's internal control system if they providing consulting services. Even if some strict isolation measures are implemented effectively, there will also be a great threat to independence. (e.g., when PAs conducting comprehensive corporate taxation services, especially when they providing tax shelter services by optimizing operating model and drafting key clauses of important business contracts, independence will be undermined and the independent principle might be violated.)
2. If all the payrolls of PAs are paid by clients when they managing their client's taxation functions, objectivity is highly possible to be jeopardized and there will be a conflict of the interest. This payment scheme should be banned or rectified.
3. According to the current Code, it is PA's duty to review works and other conclusions conducted by third parties they hired or outsourced. PAs are jointly and severally liable for the authenticity and availability of those works and conclusions.
4. When firms rely on shared service centers based in or outside their jurisdictions for the performance of selected parts of professional service, PAs should maintain professional competence and act diligently. Objectivity of service centers, rationality of works conducted by service centers and compliance of process executed by service centers should be reviewed routinely and assessed carefully.
5. Under contemporary audit modes, the concept of "office" and the concept of "engagement team" are overlapped. Staff from different offices can form a new engagement team. Staff from different engagement teams might come from the same office. Multiple engagement teams might serve one particular client. Physical working places cease to be the standard for distinguishing between "office" and "engagement team", since the home-working became more common. Based on the situation above, double isolation measures should be implemented both in "office" and in "engagement team" levels. The objectivity and independence should also be the priority concern when selecting members of engagement teams.

B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

As to refine the definitions of PIEs and listed entities, here are two suggestions as follows:

1. Determine the scope of recognized stock exchange. It's proposed to include some non-regulated market. Though some non-regulated markets request suitability management of investors, they are public traded market in essence.
2. It is proposed to include the new forms of capital raising market into PIEs and listed entities, such as crowd funding. When evaluating the appropriateness, numbers of investors, scale of investments, the

scope of investment and influence of investment may be taken into consideration.

B.4 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Given that CIVs such as unit trusts and mutual funds develop rapidly these years and make huge effects in emerging markets, establishing policies to CIVs should be given priority. The ethical problems related to auditing service to CIVs should be clarified.

For example, investment contribution and investment management are separated in CIVs. Though in principle, we defined 'related entity' according to whether taking control or giving material effect, it is still controversial to give clear definition. Therefore, the definition of 'related entity' should be given priority to clarify.

There are still many aspects should be clarified in provisions. For example, when advisory department of audit firm take advisory role of CIVs, whether the audit firm should be considered as a related entity, whether the wall should be set inside the audit firm, whether the wall can eliminate the damage of independence.

B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

No comment.

B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Issues regarding to materiality should be clarified, the aspects may need to be considered are as following:

1. Determine the issues needed to be considered in judging the materiality in non-assurance service.

Forms and contents are varied in non-assurance service, if principle regulations are set for NAS materiality in the new code, it will provide sound guidance and positive meaning to NAS.

2. As for setting materiality standards for assurance service, I suggest that promote current code according to updated auditing technology and business models. For instance, in IT sampling analysis scenario, materiality can be reduced appropriately to ensure the quality of assurance service. As for mutual funds in CIVs, it may be inappropriate to simply consider total assets when setting materiality. Many factors should be evaluated comprehensively, including amount of entrusted assets, sharing model of administrative fee and asset management models.

B.7 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Issues may be clarified in extant Code are listed below:

1. Specific contents to communication with TCWG. It is suggested to define mandatory provision of some communication contents. For example, the time and specific subjects of communication, how auditors recognize situations and processes that could threat independence, what measures and results auditors make for maintain independence in threatened situation, what remedy will be conducted when independence is undermined. If the communication contents are mandatory conducted, it will be beneficial for auditors to conduct minimum standard of communication with TCWG, and to ensure the comply of the Code conducted effectively.

2. When auditors provide assurance and non-assurance service simultaneously, explanation of isolation of assurance and non-assurance service should be included, in order to improve transparency of auditing.

B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

1. As independence is significant for providing service fairly and subjectively, recording conflict of interest in document should be required in non-assurance service. When providing NAS to listed companies, the minimum requirements of independence documentation should follow the assurance service requirements.

2. Documentation includes working plan, working implementation, collected evidence and conclusion after

work. Independence and conflicts of interests should be taken into account comprehensively when undertaking projects and conducting service, the evaluation should also be recorded.

B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

In my opinion it is necessary for IESBA to give additional guidance for PAIBs to address familiarity threats. Some particular situations that might create familiarity threats should be clearly noted in guidance to serve as a reference for PAIBs. Those situations should also be periodically updated to match the ever-changing business practice.

4. (untitled)

B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

My views about this topic are as followings:

1. The guidance on whom to report breaches and on how to stop the activity that caused the breach when PAs encountered should be clearly listed for guidance and reference.
2. Eliminating optionality as to whether PAs have to report breaches when PAs are engaging business related with public listed companies (PLCs) and public interest entities (PIEs). (e.g., PAs are compulsively required to report breaches to the body according to the guidance when they engaging in a PLC or PIE business.)
3. Maintaining the optionality as to whether a PA has to report a breach when PA engaging non-PLC and non-PIE businesses.

B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

In my opinion it is better to unify the definitions of terms in the Code issued by IESBA and IAASB standard in order to eliminate misunderstandings and better to implement the Code.

As to the definition of "employee", besides those staff within the business entity, outsourcing personnel who are an indispensable part of business process flow should be covered in the definition of the term "employee". (e.g., Bank clerks conduct routine front-desk works for the bank. Some of them may be contracted with a labor dispatching firm and these people should be considered as the employees of the bank.)

The concept of "engagement period" should not be limited to the date of audit report issuance but to the date when obligations and liabilities related to the audit report end.

B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

No comment.

B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Since various situations and cultures exist in different countries, it is difficult to define public interest in a global context. It is a challenge for IESBA.

Different understandings of the public interest contents exist in practice. It's also difficult for auditors to define which issues are related to public interest when conducting services.

In my view, it is better for IESBA to further coordinate with other standard-setting boards in discussing the definition of public interest.

Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.

No comment.

Please rank your top six priorities among items B.1 to B.13 above (1 being highest and 6 being lowest).

1. B.1 Trends and developments in technology and innovation
2. B.6 Materiality
3. B.3 Concepts of “public interest entity” and “listed entity”
4. B.7 Communication with those charged with governance
5. B.5 Tax planning and related services
6. B.11 Definitions and descriptions of terms

5. (untitled)

C.1 Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.

The development levels of different economies vary. It may be good choice to make a roadmap about the promotion. It is suggested to concentrate on those countries which already adopted the extant Code and fed back well implemented first, and then move on to those newly adopted countries or economies, and then to the rest important economies.

C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.

No comment.

6. (untitled)

D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.

No comment.

7. (untitled)

Section E: Any Other Strategic Matters

E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.

No Comment.

8. (untitled)

3. Please confirm that you have completed all your responses?

Yes