

**For information
on 13 June 2003**

**The Legislative Council
Panel on Financial Affairs**

**The Hong Kong Society of Accountants'
Private Member's Bill on
Proposed Amendments to the Professional Accountants Ordinance
and the Professional Accountants By-laws**

PURPOSE

This paper sets out the Administration's views on the proposals of the Hong Kong Society of Accountant (the Society) to amend the Professional Accountants Ordinance.

BACKGROUND

2. Accountants have a duty to safeguard the accuracy and integrity of financial reporting. The regime regulating accountants should be effective, transparent, accountable and in line with international developments. In December 2002, the Secretary for Financial Services and the Treasury (SFST) met with representatives of the accounting profession to discuss ways to improve the existing regime set out in the Professional Accountants Ordinance. In response to the Administration's request for enhancing the independence element in the present regulatory regime, the Society submitted detailed proposals to the Administration on 22 January 2003 containing the following -

- (a) increase the lay members in the Society's Council (i.e., the governing body);
- (b) expand the membership of any Investigatory Committee (IC) instigated by the Society's Council from three to five, and alter the composition of the IC, with the majority of members (including the chairman) being lay persons;
- (c) alter the composition of the five-member Disciplinary Committee with the majority of members (including the chairman) being lay persons; and

- (d) as a variation of (b) above, establish an Independent Investigation Board (IIB) to deal with alleged accounting, auditing and/or ethics irregularities related to listed companies.

THE ADMINISTRATION'S VIEWS

3. We support the Society's proposals which would introduce an element of independent oversight into the Society's investigation and disciplinary process. We are encouraged by the Society's effort to take the initiative to pursue the opening up proposals in the form of a Member's bill.

4. In relation to the IIB proposal, while we consider that it is in the right direction, given the implications of the proposals, we consider it appropriate to consult the public before arriving at a decision. We aim for public consultation in July/August 2003. This is in line with the provisions in SFST's Corporate Governance Action Plan published in January 2003.

**Financial Services Branch
Financial Services and the Treasury Bureau
June 2003**