

**STATEMENT 1.400
PRACTICE REVIEW
EXPLANATORY FOREWORD**

(Issued July 1992; revised July 2004, September 2004 (name change), January 2005 and March 2006)

Introduction

1. This Explanatory Foreword explains the scope and authority of the Practice Review Statement approved by the Council of the Hong Kong Institute of Certified Public Accountants (HKICPA). It should be read in conjunction with the Practice Review Statement 1.401 "Review Procedures and Conduct of Members" to which it forms a collective preface.
2. The objective of practice review is to ensure that all members in public practice observe, maintain and apply professional standards. Professional standards are defined by the Professional Accountants Ordinance and the Council has specified in the Practice Review Statement 1.401, the professional standards in relation to which practice reviews are to be carried out. Practice review does not seek to redefine the scope and authority of the professional standards statements specified by the Council but to enforce them within those parameters.
3. The professional standards statements, including the explanatory forewords or prefaces, approved by the Council of the HKICPA define their scope and authority as follows:

(a) 1.200 "Professional Ethics - Explanatory Foreword"

"..... this guidance is issued by the Council not as a directive but to assist members to conduct themselves in a manner which the Council considers appropriate to the members of the HKICPA" (paragraph 24). "What the Council may do is advise that certain conduct may expose a member to the risk of disciplinary action" (paragraph 23).

(b) "Preface to Hong Kong Financial Reporting Standards" (HKFRSs)

"Council therefore expects members of the HKICPA who assume responsibilities in respect of financial statements to observe HKFRSs" (paragraph 18).

(c) "Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services"

"Apparent failures by members to comply with Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services are liable to be enquired into by the appropriate committee established under the authority of the HKICPA, and disciplinary action may result." (paragraph 16).

Scope and authority of the Practice Review Statement 1.401

4. The Practice Review Statement 1.401 applies whenever a practice review is conducted.
5. The Practice Review Statement:
 - (a) provides guidance in relation to the statutory powers and obligations prescribed in the Professional Accountants Ordinance with respect to the parties involved in practice review;

- (b) prescribes the scope of practice review and the procedures to be adopted during the conduct of a practice review; and
 - (c) establishes the conduct members are expected to follow during a practice review.
6. The provisions of the Professional Accountants Ordinance in respect of practice review must be complied with. The guidance given by the Council is intended to ensure that if followed the statutory provisions are not breached. Apparent failures by members to follow the guidance and hence the Ordinance may be enquired into by the Practice Review Committee established by the Council and disciplinary action may result. The ultimate determination of whether a member has breached the Ordinance will rest with the Disciplinary Committee or the court, as appropriate.
7. The Council has prescribed the scope of practice review and procedures to be adopted during the conduct of practice review. Following these promulgations will ensure that the principle of confidentiality of practice review is maintained. Where the persons who are responsible for the conduct of practice review (reviewers, the Registrar, Practice Review Committee members and others who assist them) have not followed the prescribed procedures, they should be prepared to justify significant departures.
8. The guidance relating to the conduct of members is issued by the Council to assist members to conduct themselves in a manner the Council considers appropriate to the members of the HKICPA. The Council advises members that apparent failures to conduct themselves in an appropriate manner may be enquired into by the Practice Review Committee.

Interpretation

9. The expression "member", unless the context otherwise requires, includes a practice unit as defined in section 2 of the Professional Accountants Ordinance.

Effective date

10. The Statement came into effect on 13 March 2006.