

MEMBERS' HANDBOOK

Update No. 44

(Issued October 2007)

| <i>Document Reference and Title</i> | <i>Instructions</i> | <i>Explanations</i> |
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| CAP. 50 Professional Accountants Ordinance (PAO) | Discard the existing PAO and replace with the amended PAO. | Updated PAO – Note |
| VOLUME III | | |
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| Glossary of Terms Relating to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services | Insert pages 1 to 21 after Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services | New Glossary |

Note: PAO Amendments arising from the Financial Reporting Council Ordinance.



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| Chapter: 50 | PROFESSIONAL ACCOUNTANTS ORDINANCE | Version Date | 08/09/2004 |
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Long title

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To establish the Hong Kong Institute of Certified Public Accountants and to provide for the registration and control of the accountancy profession, and for matters ancillary to or connected with the purposes aforesaid.

(Amended 23 of 2004 s. 2)

[1 January 1973] L.N. 267 of 1972

(Originally 68 of 1972)

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| Section Num: | 1 | Version Date | 30/06/1997 |
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Heading Short title

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PART I

PRELIMINARY

This Ordinance may be cited as the Professional Accountants Ordinance.

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| Section Num: | 2 | Version Date | 01/12/2006 |
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Heading Interpretation

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(1) In this Ordinance, unless the context otherwise requires-
(Amended 10 of 2005 s. 48)

***"appointed day" (指定日期) means the day appointed by the Secretary for

Financial Services and the Treasury under section 1(3) of the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004); (Added 23 of 2004 s. 3)

"appointed member" (委任理事) means a member of the Council appointed by the Chief Executive under section 10(2)(e); (Added 23 of 2004 s. 3)

"certified public accountant" (會計師) means a person registered as a certified public accountant by virtue of section 22; (Replaced 23 of 2004 s. 3)

"certified public accountant (practising)" (執業會計師) means a certified public accountant holding a practising certificate; (Added 23 of 2004 s. 3)

"co-opted member" (增選理事) means a member of the Council co-opted under section 10(4); (Added 96 of 1994 s. 2)

"corporate practice" (執業法團) means a company which is for the time being registered under section 28E; (Added 85 of 1995 s. 2)

"Council" (理事會) means the Council of the Institute established under section 10; (Amended 23 of 2004 s. 54)

"Disciplinary Committee" (紀律委員會) means a Disciplinary Committee constituted under section 33(3); (Replaced 96 of 1994 s. 2)

"Disciplinary Committee Convenor" (紀律委員會召集人) means the Disciplinary Committee Convenor appointed under section 33(1)(a); (Added 23 of 2004 s. 3)

"Disciplinary Panels" (紀律小組) means the Disciplinary Panel A and Disciplinary Panel B constituted under section 33(1) and "Disciplinary Panel A" and "Disciplinary Panel B" shall be construed accordingly; (Added 23 of 2004 s. 3)

"elected member" (當選理事) means a member of the Council elected under section 10(2)(c);

"firm name" (事務所名稱) means, in relation to a certified public accountant (practising) practising on his own account, the name or style under which he practises if that name or style is otherwise than his own name without any addition as registered under section 22(2), and in relation to a certified public accountant (practising) practising in partnership, the name or style under which the partnership practises; (Added 96 of 1994 s. 2. Amended 23 of 2004 s. 3)

"FRC" (財務匯報局) means the Financial Reporting Council established by section 6(1) of the Financial Reporting Council Ordinance (Cap 588); (Added 18 of 2006 s. 68)

"Institute" (公會) means the Hong Kong Institute of Certified Public

Accountants (香港會計師公會) incorporated by section 3; (Added 23 of 2004 s. 3)

"Investigation Committee" (調查委員會) means the committee appointed under section 42C; (Added 96 of 1994 s. 2)

"Investigation Committee Convenor" (調查委員會召集人) means the Investigation Committee Convenor appointed under section 42B(1)(a); (Added 23 of 2004 s. 3)

"Investigation Panels" (調查小組) means the Investigation Panel A and Investigation Panel B constituted under section 42B(1) and "Investigation Panel A" and "Investigation Panel B" shall be construed accordingly; (Added 23 of 2004 s. 3)

"lay person" (業外人士) means a person who is not-

- (a) a certified public accountant; or
- (b) a member of an accountancy body which is a member of the International Federation of Accountants; (Added 23 of 2004 s. 3)

"practice review" (執業審核), in relation to a practice unit, means an examination or a review described in section 32B(1)(b); (Added 14 of 1992 s. 2)

"Practice Review Committee" (執業審核委員會) means the committee established under section 32A; (Added 14 of 1992 s. 2)

"practice unit" (執業單位) means-

- (a) a firm of certified public accountants (practising) practising accountancy pursuant to this Ordinance; (Replaced 23 of 2004 s. 3)
- (b) a certified public accountant (practising) practising accountancy on his own account pursuant to this Ordinance; or (Added 14 of 1992 s. 2. Amended 85 of 1995 s. 2; 23 of 2004 s. 3)
- (c) a corporate practice; (Added 85 of 1995 s. 2)

"practising certificate" (執業證書) means a current practising certificate issued under section 30;

"President" (會長) means the President of the Institute elected under section 4 and any person acting as President; (Amended 23 of 2004 s. 54)

"professional accountant" (專業會計師) means a person registered as a professional accountant before the relevant day; (Replaced 23 of 2004 s. 3)

"professional indemnity insurance" (專業彌償保險) includes insurance indemnifying a certified public accountant, a firm of certified public accountants (practising) or a corporate practice against liability to compensate a third party who has sustained financial loss or any other damage or injury due to a breach of professional duty by or to professional negligence of such accountant, firm or practice (including such negligence by any director of the practice) or fraud or dishonesty; (Added 85 of 1995 s. 2. Amended 23 of 2004 s. 3)

"professional standards" (專業標準) means any-

- (a) statement of professional ethics; or
 - (b) standards of accounting, auditing and assurance practices,
- (Amended 23 of 2004 s. 3)

issue or specified or deemed to be issued or specified under section 18A; (Added 14 of 1992 s. 2)

"public accountant" (註冊核數師) means a person registered as a professional

accountant by virtue of the repealed section 24(2) before the relevant day; (Replaced 23 of 2004 s. 3)

"register" (註冊紀錄冊) means the register of certified public accountants kept under section 22; (Amended 23 of 2004 s. 54)

"registered address" (註冊地址) means any address of a certified public accountant which is entered in the register under section 22(2); (Amended 23 of 2004 s. 54)

"registered office" (註冊辦事處) means the registered office referred to in section 31;

"Registrar" (註冊主任) means the Registrar appointed under section 21;

"relevant day" (有關日期) means the day on which the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004) comes into operation* under section 1(2) of that Ordinance; (Added 23 of 2004 s. 3)

"repealed section 24(2)" (已廢除的第 24(2)條) means section 24(2) of this Ordinance repealed by the Professional Accountants (Amendment) Ordinance 2004 (23 of 2004); (Added 23 of 2004 s. 3)

"reviewer" (審核人員) means any person appointed or engaged by the Council under section 32B(1)(d); (Added 14 of 1992 s. 2)

"Vice-President" (副會長) means the Vice-President of the Institute elected under section 4 and any person acting as Vice-President. (Amended 23 of 2004 s. 54)
(Amended 8 of 1993 s. 8; 96 of 1994 s. 2; 23 of 2004 s. 3)

(2) For the purposes of sections 27(4)(b), 28D(10)(b)(i), 35(3) and 38(2), an appeal to the Court of Appeal shall be deemed to be finally determined when the earliest of the following events occurs, whichever is applicable in the circumstances-

(a) when the appeal to the Court of Appeal is withdrawn or abandoned;

(b) when the specified period expires without an application for leave to appeal having been made to the Court of Appeal;

- (c) if, before the expiry of the specified period, an application for leave to appeal is made to the Court of Appeal-
- (i) when the application is withdrawn or abandoned;
 - (ii) if the application is refused, when the specified period expires without an application for leave to appeal having been made to the Court of Final Appeal; or
 - (iii) if the application is granted, when the appeal to the Court of Final Appeal is withdrawn, abandoned or disposed of; or
- (d) if, before the expiry of the specified period, an application for leave to appeal is made to the Court of Final Appeal-
- (i) when the application is withdrawn, abandoned or refused; or
 - (ii) if the application is granted, when the appeal to the Court of Final Appeal is withdrawn, abandoned or disposed of. (Added 10 of 2005 s. 48)
- (3) In subsection (2)-

"application for leave to appeal" (上訴許可申請) means an application made to the Court of Appeal or the Court of Final Appeal under section 24 of the Hong Kong Court of Final Appeal Ordinance (Cap 484) for leave to appeal to the Court of Final Appeal from a judgment of the Court of Appeal;

"specified period" (指明限期)-

- (a) in the case of an application for leave to appeal made to the Court of Appeal, means-
- (i) subject to subparagraph (ii), the period of 28 days within which the notice of motion referred to in section 24(2) of the Hong Kong Court of Final Appeal Ordinance (Cap 484) is required to be filed; or
 - (ii) if, on an application made within the 28-day period referred to in subparagraph (i), the Court of Appeal extends that period, the period as so extended; or
- (b) in the case of an application for leave to appeal made to the Court of Final Appeal, means-
- (i) subject to subparagraph (ii), the period of 28 days within which the notice of motion referred to in section 24(4) of the Hong Kong Court of Final Appeal Ordinance (Cap 484) is required to be filed; or
 - (ii) if, on an application made within the 28-day period referred to in subparagraph (i), the Court of Final Appeal extends that period, the period as so extended. (Added 10 of 2005 s. 48)

Note:

** appointed day : 26 November 2004.

* The Professional Accountants (Amendment) Ordinance 2004 (23 of 2004) comes into operation on 8 September 2004.

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| Section Num: | 3 | Version Date | 08/09/2004 |
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Heading **Incorporation of Institute**

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PART II

THE HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (Amended 23 of 2004 s. 4)

The persons registered as certified public accountants under section 22 shall- (Amended 23 of 2004 s. 54)

- (a) be a body corporate with perpetual succession;
- (b) be known as the Hong Kong Society of Accountants (香港會計師公會)

before the relevant day, and the Hong Kong Institute of Certified Public

Accountants (香港會計師公會) with effect from the relevant day; and (Amended 23 of 2004 s. 5)

- (c) in that name be capable of suing and being sued and, subject to this Ordinance, of doing and suffering all such other acts as a body corporate may lawfully do and suffer.
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| Section Num: | 4 | Version Date | 08/09/2004 |
| Heading | Appointment of President and Vice-President | Back to Individual Section Format | |

- (1) There shall be a President and 2 Vice-Presidents of the Institute, who shall be elected by the Council from the elected members. (Amended 23 of 2004 s. 54)
- (2) The President and the Vice-Presidents shall, unless they-
- (a) resign their offices by notice in writing delivered to the Registrar; or
- (b) are deemed by virtue of section 15(1) to have vacated their offices as members of the Council, (Amended 23 of 2004 s. 6) hold office from the date of their election until the conclusion of the annual general meeting next occurring. (Replaced 22 of 1977 s. 2)
- (3) If a casual vacancy occurs in the office of President, the Council shall elect one of the Vice-Presidents to act as President.
- (4) If a casual vacancy occurs in any of the offices of Vice-President, the Council may elect an elected member to fill the vacancy.
- (5) For the purposes of this section and section 11, a casual vacancy shall be deemed to occur when a person is temporarily absent from Hong Kong or is temporarily unable to attend to the business of the Council.
- (6) Notwithstanding subsection (1), if only one elected member is proposed for election to fill a vacancy in the office of President, such elected member shall, without taking a vote upon the proposal, be deemed to have been elected at the conclusion of the meeting of the Council at which the vacancy is to be filled.
- (7) Notwithstanding subsection (1), if not more than 2 elected members are proposed to fill the vacancies in the offices of Vice-Presidents, such elected member or members shall, without taking a vote upon the proposal, be deemed to have been elected at the conclusion of the meeting of the Council at which the vacancies are to be filled. (Added 96 of 1994 s. 3)
(Amended 96 of 1994 s. 3)

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| Section Num: | 5 | Version Date | 08/09/2004 |
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Heading Office of Institute

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Office of Institute

(Amended 23 of 2004 s. 54)

The Institute shall maintain an office the address of which shall be notified to the Registrar of Companies.

(Amended 8 of 1993 s. 4; 23 of 2004 s. 54)

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| Section Num: | 6 | Version Date | 08/09/2004 |
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Heading Official seal and authentication thereof, and instruments executed thereunder

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(1) The Institute shall have and may use a common seal, the affixing of which shall be authenticated by the signature of the Registrar.

(2) Any instrument purporting to be executed under the seal of the Institute shall be received in evidence and shall, unless the contrary is proved, be deemed to be an instrument so executed.

(Amended 23 of 2004 s. 54)

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| Section Num: | 7 | Version Date | 08/09/2004 |
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Heading Objects of the Institute

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The objects of the Institute shall be- (Amended 23 of 2004 s. 54)

(a) to maintain a register of certified public accountants, firms of certified public accountants (practising) and corporate practices;

(Amended 85 of 1995 s. 3; 23 of 2004 ss. 7 & 54)

- (b) to regulate the practice of the accountancy profession;
- (c) to conduct examinations and act in such other manner as may be necessary to ascertain whether persons are qualified to be admitted to the register;
- (d) to encourage the study of accountancy by accountants and students, and to give certificates, bursaries, scholarships and rewards on such terms and conditions as may be specified from time to time;
- (e) to maintain a library and reading rooms for the use of accountants and students;
- (f) to establish and assist in establishing and supporting associations, funds, trusts and schemes intended to benefit accountants or their dependents, and to grant pensions and allowances to any accountant or his dependents;
- (g) to represent the views of the profession and to preserve and maintain its reputation, integrity and status; (Amended 23 of 2004 s. 7)
- (h) to discourage dishonourable conduct and practices by certified public accountants, and for this purpose to hold inquiries into the conduct of certified public accountants, firms and corporate practices referred to in paragraph (a); (Amended 85 of 1995 s. 3; 23 of 2004 ss. 7 & 54)
- (i) to provide for the settlement of disputes within the accountancy profession; (Amended 85 of 1995 s. 3)
- (j) to take such action as the Institute considers necessary in any matter affecting the professional interests of the accountancy profession; (Amended 85 of 1995 s. 3; 23 of 2004 s. 54)
- (k) to do all such other things as are incidental or conducive to the attainment of the above objects.

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| Section Num: | 7A | Version Date | 01/12/2006 |
| Heading | Power of Institute to make contributions to FRC | Back to Individual Section Format | |

The Institute may contribute to the FRC such amount, as the Institute thinks fit, of the costs and expenses reasonably incurred by the FRC for the performance of the FRC's functions.

(Added 18 of 2006 s. 69)

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| Section Num: | 8 | Version Date | 08/09/2004 |
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Heading Power of Institute to make by-laws

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- (1) The Institute may, subject to the approval of the Chief Executive in Council, make by-laws- (Amended 31 of 1999 s. 3; 23 of 2004 s. 54)
- (a) regulating the practice of accountancy by professional accountants in Hong Kong;
 - (b) (Repealed 22 of 1977 s. 3)
 - (c) regulating meetings of the Institute and the Council;
 - (d) governing the registration, training and education of students; (Amended 22 of 1977 s. 3)
 - (e) governing the discipline of students;
 - (f) empowering the Council to make rules prescribing examinations of the Institute, the fees payable therefor and all matters incidental to the holding thereof including exemptions or concessions which may be granted in respect of the examinations; (Amended 22 of 1977 s. 3)
 - (g) regulating the conditions on which examiners shall be engaged;
 - (h) regulating the appointment of an auditor;
 - (i) providing for the use and custody of the common seal of the Institute;
 - (j) providing for the custody, investment and expenditure of the funds and the management of property of the Institute; (Amended 23 of 2004 s. 54)
 - (k) (Repealed 14 of 1985 s. 2)
 - (l) specifying the designations for certified public accountants and the initials by which certified public accountants may be known; (Amended 23 of 2004 s. 54)
 - (la) providing for the admission of persons as affiliates of the Institute and specifying the designations for such affiliates and the initials by which such affiliates may be known; (Added 23 of 2004 s. 8)
 - (m) (Repealed 22 of 1977 s. 3)
 - (n) regulating the nomination and election of elected members of the Council;

(o) conferring on members of the Council and employees and auditors of the Institute a right of indemnity against the Institute for actions brought against them for things done by them in the execution of the Ordinance; (Amended 23 of 2004 s. 54)

(oa) providing for and regulating the provision and retention of information, the giving of any notice and communication, the election of any person, the voting on any matter, the signature of any person, under or pursuant to this Ordinance, by electronic means; (Added 23 of 2004 s. 8)

(p) prescribing anything which is to be or may be prescribed by the Ordinance;

(q) generally for the better carrying into effect of the purposes of this Ordinance and for the furtherance of the objects of the Institute.

(2) A copy of any by-laws made by the Institute shall, as soon as practicable after the making thereof, be duly certified by the President and transmitted by him for the approval of the Chief Executive in Council. (Amended L.N. 137 of 1981; 31 of 1999 s. 3)

(3) A by-law under subsection (1) may be made only by a majority of two-thirds of the certified public accountants present in person or by proxy and voting at a general meeting of the Institute convened for the purpose of making the by-laws. Notice of such meeting and of the by-laws to be proposed thereat shall be sent to every certified public accountant not less than 21 days before the date fixed for the meeting, but the non-receipt of such a notice by any certified public accountant shall not invalidate the proceedings thereat. (Amended 22 of 1977 s. 3; 23 of 2004 s. 8)

(4) (Repealed 32 of 2000 s. 48)
(Amended 23 of 2004 s. 54)

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|---------------------|----------|---------------------|-------------------|
| Section Num: | 9 | Version Date | 08/09/2004 |
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Heading **General meetings**

[Back to Individual Section Format](#)

(1) The first annual general meeting of the Institute shall be held within 9 months after the commencement of this Ordinance.

(2) An annual general meeting of the Institute shall be held not

less than once in every calendar year, and not more than 15 months after the holding of the last preceding annual general meeting.

(3) General meetings of the Institute, other than the annual general meeting, shall be held as required by the by-laws.

(4) Any certified public accountant may, at any meeting of the Institute, move any resolution which is not inconsistent with the purposes and provisions of this Ordinance but may not move a resolution in respect of any act done in pursuance of the powers conferred by section 18B, 26, 27, 28A, 30, 32B, 32C, 32D, 32E, 32F, 34, 35, 36, 39, 42C, 42D, 42E or 42F. (Amended 23 of 2004 s. 9)

(Amended 23 of 2004 s. 54)

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|---------------------|---|--|-------------------|
| Section Num: | 10 | Version Date | 26/11/2004 |
| Heading | Establishment and composition of the Council | Back to Individual Section Format | |

PART III

THE COUNCIL OF THE INSTITUTE

(Amended 23 of 2004 s. 54)

(1) There is hereby established the Council of the Hong Kong Institute of Certified Public Accountants.

(2) The Council shall, subject to subsection (4), consist of the following members- (Amended 23 of 2004 s. 10)

(a) the Financial Secretary, or a person appointed by him as his representative;

(b) the Director of Accounting Services, or a person appointed by him as his representative; (Amended L.N. 16 of 1977)

(c) 14 certified public accountants (not being persons entitled to be registered as a professional accountant by virtue of the repealed section 24(2) immediately before the relevant day) elected at an annual general meeting of the Institute, each of whom shall on the day of the meeting be ordinarily resident in Hong Kong and of whom at the time of election- (Amended 85 of 1995 s. 4; 23 of 2004 ss. 10 & 54)

(i) not less than 6 shall be certified public accountants in full

time practice as certified public accountants (practising); (Replaced 23 of 2004 s. 10)

(ii) not less than 6 shall be certified public accountants otherwise than in full time practice as certified public accountants (practising); (Replaced 23 of 2004 s. 10)

(d) the immediate past President of the Institute who shall, unless he is also an elected member, hold office as a member of the Council for a period from the time when he ceased to be President until the conclusion of the annual general meeting next occurring; and (Added 23 of 2004 s. 10)

(e) 4 lay persons appointed by the Chief Executive. (Added 23 of 2004 s. 10)

(2A) For the purpose of subsection (2)(c), a certified public accountant- (Amended 23 of 2004 s. 54)

(a) shall be regarded as being in full time practice as a certified public accountant (practising) if he- (Amended 23 of 2004 s. 10)

(i) holds a practising certificate;

(ii) is free to devote substantially the whole of his time during normal office hours to provide his services as a certified public accountant (practising); and

(iii) has not entered into and there is not subsisting a contract of employment between him and an employer (other than an employer who is a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice) under which he is bound to devote the whole or substantially the whole of his time during normal office hours to his employment; and

(b) holding a practising certificate shall not be treated as not being in full time practice as a certified public accountant (practising) by reason only of the fact that he is in the employment of a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice,

and normal office hours shall mean those hours at which banks are generally open for business in Hong Kong. (Added 96 of 1994 s. 4)

(3) An appointed member shall not be appointed for a term exceeding 2 years but shall be eligible for reappointment for a further term or terms of not exceeding 2 years each. (Replaced 23 of 2004 s. 10)

(4) In addition to the members specified in subsection (2), the Council may, at the first meeting of the Council held after an annual general meeting, or as soon thereafter as is practicable, co-opt not more

than 2 certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. (Added 96 of 1994 s. 4. Amended 85 of 1995 s. 4; 23 of 2004 s. 54)

(5) In addition to applying for the purposes of section 29A, subsection (5)(b) of that section shall also apply for the purposes of this section. (Added 85 of 1995 s. 4)
(Amended 23 of 2004 s. 10)

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| Section Num: | 11 | Version Date | 08/09/2004 |
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Heading Filling vacancies in Council

[Back to Individual Section Format](#)

(1) If a casual vacancy occurs under section 4(3) or (4), or a vacancy is deemed to arise under section 15(1), the Council may, in the case of a co-opted member, appoint a certified public accountant, and in the case of an elected member, appoint a certified public accountant of the class referred to in subparagraph (i) or (ii) of section 10(2)(c), as the vacancy may require, to fill the vacancy. (Amended 96 of 1994 s. 5; 23 of 2004 ss. 11 & 54)

(2) A certified public accountant appointed under subsection (1) to fill-

(Amended 23 of 2004 s. 54)

(a) a casual vacancy under section 4(3) or (4) shall hold office for so long as the member in whose place he is appointed would have held office or until the member resumes his office on the Council, whichever is the earlier; or

(b) a vacancy under section 15(1) shall hold office for so long as the member in whose place he is appointed would have held office.
(Amended 23 of 2004 s. 11)

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| Section Num: | 12 | Version Date | 26/11/2004 |
| Heading | Compulsory retirement of elected members | | Back to Individual Section Format |

(1) Subject to subsection (1A) and section 13(2), immediately before the conclusion of each annual general meeting of the Institute, the 7 elected members who have been longest in office since their last election shall retire from office. (Amended 96 of 1994 s. 6; 23 of 2004 ss. 12 & 54)

(1A) Subject to section 13(2), immediately before the conclusion of the first 2 annual general meetings of the Institute after the appointed day-

(a) in the case of the first such annual general meeting, 6 elected members who have been longest in office since their last election shall retire from office; and

(b) in the case of the second such annual general meeting, 6 elected members who have been longest in office since their last election, and one elected member from among the remaining 8 elected members who shall be selected by lot, shall retire from office. (Added 23 of 2004 s. 12)

(2) (Repealed 96 of 1994 s. 6)

(3) Every elected member who retires from office in accordance with this section shall be eligible for re-election.

(4) A co-opted member shall hold office until immediately before the conclusion of the next annual general meeting and he shall be eligible to be co-opted again or (except in the case of a person entitled to be registered as a professional accountant by virtue of the repealed section 24(2) immediately before the relevant day) elected as a member of the Council. (Added 96 of 1994 s. 6. Amended 23 of 2004 s. 12)

(Replaced 14 of 1985 s. 4)

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| Section Num: | 13 | Version Date | 08/09/2004 |
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Procedure for election of certified public accountants as elected members

[Back to Individual Section Format](#)

Procedure for election of certified public accountants as elected members
(Amended 23 of 2004 s. 54)

- (1) If the number of certified public accountants nominated as candidates for election to the Council at an annual general meeting of the Institute- (Amended 23 of 2004 s. 54)
- (a) does not exceed the number of vacancies for elected members, the candidates shall be deemed to have been elected to the Council with effect from immediately before the conclusion of the annual general meeting at which the vacancies are to be filled;
- (b) exceeds the number of vacancies for elected members, the election shall be determined by ballot, and the candidates so elected shall hold office as elected members with effect from immediately before the conclusion of the annual general meeting; or
- (c) is less than the number of vacancies in respect of elected members, the Chief Executive may appoint a certified public accountant to fill any vacancy among the elected members of the Council remaining unfilled at the conclusion of the annual general meeting,
- (2) A certified public accountant appointed by the Chief Executive under subsection (1)(c) shall hold office until the next annual general meeting.
(Amended 31 of 1999 s. 3; 23 of 2004 s. 54)
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| Section Num: | 14 | Version Date | 08/09/2004 |
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Heading Chief Executive may appoint a certified public accountant to Council if Council fails to fill a vacancy

[Back to Individual Section Format](#)

Chief Executive may appoint a certified public accountant to Council if Council fails to fill a vacancy
(Amended 23 of 2004 s. 54)

If a vacancy is not filled by the Council within 30 days by appointment under section 11(1), the Chief Executive may appoint a certified public accountant of the class referred to in sub-paragraph (i) or (ii) of section 10(2)(c) to fill the vacancy, as the vacancy may require.
(Amended 31 of 1999 s. 3; 23 of 2004 s. 54)

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| Section Num: | 15 | Version Date | 26/11/2004 |
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Heading Vacation of office by Council members

[Back to Individual Section Format](#)

(1) An elected or co-opted member shall be deemed to have vacated his office as a member of the Council if- (Amended 96 of 1994 s. 7; 23 of 2004 s. 13)

(a) he resigns his office, by notice in writing delivered to the Registrar;

(b) he is absent without permission of the President from 3 consecutive meetings of the Council of which he has had notice to attend, and the Council resolves that his office shall be vacant;

(c) he becomes bankrupt or makes an arrangement or composition with his creditors;

(d) he ceases to be ordinarily resident in Hong Kong;

(e) his name is removed from the register under section 27(1)(a) or section 35(1)(a); or (Amended 80 of 1997 s. 102; 23 of 2004 s. 13)

(f) in the case of an elected member he ceases to belong to the

class of which he was a member under sub-paragraph (i) or (ii) of section 10(2)(c) and in the case of a co-opted member he ceases to be a certified public accountant: (Amended 96 of 1994 s. 7; 23 of 2004 s. 54)

Provided that this paragraph shall not apply if the remaining number of elected members of that class is not less than 6. (Amended 14 of 1985 s. 5; 23 of 2004 s. 13)

(2) Subsection (1)(a), (b), (c), (d) and (e) shall apply to the immediate past President of the Institute who becomes a member of the Council pursuant to section 10(2)(d) except that no vacancy is to arise upon his vacation of office in such circumstances. (Added 23 of 2004 s. 13)

(3) An appointed member shall be deemed to have vacated his office as a member of the Council if-

(a) he becomes bankrupt or makes an arrangement or composition with his creditors; or

(b) he ceases to be ordinarily resident in Hong Kong. (Added 23 of 2004 s. 13)

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| Section Num: | 16 | Version Date | 08/09/2004 |
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Heading Accounts

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(1) The Council shall maintain proper accounts of all transactions of the Institute and shall prepare for every financial year a statement of the accounts of the Institute, containing an income and expenditure account and a balance sheet, both of which shall be signed by the President.

(2) The Institute in general meeting shall appoint an auditor who shall be entitled at any time to have access to all books of account, vouchers and other financial records of the Institute and to require such information and explanations thereon as he thinks fit.

(3) The auditor shall audit the statements drawn up under subsection (1) as soon as possible and shall make a report thereon to all the certified public accountants. (Amended 96 of 1994 s. 8)

(4) A copy of the signed and audited statement of accounts, together with the auditor's report made under subsection (3), shall be submitted for approval at the annual general meeting of the Institute next

following the end of the financial year to which they relate. (Replaced 23 of 2004 s. 14)

(4A) A summary of financial statements shall be sent to each certified public accountant with the notice of the annual general meeting. (Added 23 of 2004 s. 14)

(4B) A certified public accountant may inspect a copy of the signed and audited statement of accounts at all reasonable times at the office of the Institute and the Institute shall provide to a certified public accountant on application a copy of the signed and audited statement of accounts without charge. (Added 23 of 2004 s. 14)

(5) The auditor shall be entitled to attend the annual general meeting of the Institute at which the statement of accounts which have been reported on by him are to be submitted for approval and to make any statement or explanation he desires with respect to the accounts.

(6) The Council shall determine the period, which may be more or less than 12 months, in respect of which the accounts of the Institute shall be made up.

(7) In this section, "financial year" (財政年度) means the period determined by the Council under subsection (6) as the period in respect of which the accounts of the Institute shall be made up; and "summary of financial statements" (財務報表撮要) means a summary, approved by the Council, of the audited statement of accounts of the Institute required to be laid before the annual general meeting of the Institute. (Amended 23 of 2004 s. 14)

(Amended 23 of 2004 s. 54)

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| Section Num: | 17 | Version Date | 08/09/2004 |
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Heading [General powers of Council](#)

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(1) The management and control of the Institute and of its property shall be vested in the Council and all such powers, acts or things as may be exercised or done by the Institute which are not required by this Ordinance, or by a resolution passed by the Institute in general meeting,

to be exercised or done by the Institute may be exercised or done by the Council.

(2) No such resolution of the Institute shall invalidate the exercise of any power or the doing of any act or thing by the Council before the date of the resolution.

(3) Subject to this Ordinance, the Council may regulate its own procedure and that of any committee appointed under section 18(1)(m) relating to-

- (a) the holding of meetings;
- (b) the notice to be given of such meetings;
- (c) the proceedings at such meetings;
- (d) the keeping of minutes at such meetings; and
- (e) the custody, production and inspection of such minutes.

(Amended 23 of 2004 s. 54)

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| Section Num: | 18 | Version Date | 01/12/2006 |
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Heading Particular powers of Council

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(1) Without derogating from the generality of the power conferred by section 17(1), the Council may-

- (a) do anything necessary for the better carrying out of the objects of the Institute;
- (aa) fix registration and other fees, including those payable by the practice units, or a class of the practice units, to the Institute for the purpose of the contribution under section 7A; (Added 22 of 1977 s. 4. Amended 18 of 2006 s. 70)
- (b) appoint such employees and agents as it deems necessary;
- (c) appoint the bankers of the Institute;
- (d) purchase, take on lease or in exchange, hire or otherwise acquire any movable or immovable property, and erect any buildings;
- (e) sell, lease, mortgage, dispose of or otherwise deal with any movable or immovable property of the Institute;
- (f) invest moneys of the Institute;
- (g) borrow moneys upon security or otherwise;
- (h) exchange information with similar bodies and with members of

the profession in places outside Hong Kong and arrange with such bodies for the reciprocal recognition of accountants; (Amended 31 of 1999 s. 3)

(i) establish and maintain branches of the Institute, whether in Hong Kong or elsewhere, and delegate the powers, duties and functions of the Institute to such branches; (Amended 23 of 1998 s. 2)

(j) institute, conduct, defend, compound or abandon any legal proceedings by or against the Institute or its office or otherwise concerning the affairs of the Institute and compound or allow time for payment or satisfaction of any debts due or of any claims or demands made by or against the Institute;

(k) refer any claim or demand by or against the Institute to arbitration and comply with any award made as a result of such arbitration;

(l) make and give receipts, releases and other discharges for moneys payable to and for claims and demands of the Institute;

(m) appoint committees to assist or advise the Council in the exercise of its powers and delegate to such committees such of its powers as it may from time to time determine; and

(n) publish periodicals, booklets or other written material, and produce or sponsor the production of documentary films or other audio-visual material, and distribute the same by sale, loan, hire or otherwise, with or without charge, as the Council thinks fit.

(1A) For the purposes of subsection (1)(aa), the Council may, in order to provide for particular circumstances or cases, fix different fees for the same matter, service or facility. (Added 18 of 2006 s. 70)

(2) A committee appointed under subsection (1)(m) may, subject to the by-laws of the Institute, include persons who are not certified public accountants.

(Amended 23 of 2004 s. 54)

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| Section Num: | 18A | Version Date | 08/09/2004 |
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Heading **Council's power to specify professional standards**

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(1) The Council may, in relation to the practice of accountancy, issue or specify any-

(a) statement of professional ethics; or

(b) standards of accounting, auditing and assurance practices, required to be observed, maintained or otherwise applied by any certified public accountant. (Amended 23 of 2004 s. 54)

(2) Any-

(a) statement of professional ethics; or

(b) standards of accounting, auditing and assurance practices, issued or specified by the Council and which were in force immediately before the coming into operation of this section shall be deemed to have been issued or specified under subsection (1).

(Added 14 of 1992 s. 3. Amended 23 of 2004 s. 15)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 18B | Version Date | 01/12/2006 |
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Heading Council's power to give directions

[Back to Individual Section Format](#)

(1) The Council may, in connection with the discharge of any of its functions or duties or the exercise of any of its powers, give directions either generally to certified public accountants or to any one or more certified public accountants-

(a) requiring the production or provision to the Institute by a certified public accountant of any document or information in connection with the registration of any certified public accountant or firm name, or the issue of a practising certificate;

(b) requiring a certified public accountant to deliver up to the Institute any certificate of registration or practising certificate in the possession, custody or control of the certified public accountant if the registration to which the certificate relates has ceased or the practising certificate has been cancelled or ceased to be valid;

(c) requiring a certified public accountant to give to the Institute an explanation of any act or omission of the certified public accountant which appears to the Council to be conduct unbecoming of a certified public accountant, or conduct which may affect the reputation, integrity and status of the Institute or of the accountancy profession or conduct which may fall within section 34(1)(a)(iii) to (xii).

(1A) Without prejudice to the generality of subsection (1), the Council may, in connection with the payment by a practice unit of any fees

fixed under section 18(1)(aa) for the purpose of the contribution under section 7A, give directions to practice units requiring the production or provision to the Institute by a practice unit of any document or information to enable the Institute to ascertain whether or not the practice unit falls within a particular class for the purpose of such payment. (Added 18 of 2006 s. 71)

(2) A direction given under this section shall be a direction lawfully given by the Council for the purpose of section 34(1)(a)(ix).

(3) The Council may prescribe penalties of an amount not exceeding \$50000 to be imposed for failure by a certified public accountant to comply with a direction given to him but no penalty shall be imposed on a certified public accountant unless he admits to the failure and agrees to the penalty and any penalty so imposed may be recovered by the Institute from the certified public accountant as a civil debt.

(4) Subsections (1), (2) and (3) apply mutatis mutandis in relation to a firm of certified public accountants (practising) and to a corporate practice as they apply to a certified public accountant.

(Added 23 of 2004 s. 16)

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| Section Num: | 19 | Version Date | 08/09/2004 |
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Heading Council may accept grants, gifts, etc.

[Back to Individual Section Format](#)

(1) The Council may, on behalf of the Institute, accept property, by way of grant, gift, testamentary disposition or otherwise, on such conditions as it may determine.

(2) A list shall be kept by the Registrar of all donations to the Institute and the name of the donor and any special conditions attached to the donation shall be entered in the list.

(3) Property donated to the Institute for a specific purpose shall be applied for that purpose.

(Amended 23 of 2004 s. 54)

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| Section Num: | 20 | Version Date | 08/09/2004 |
| Heading | Reimbursement of expenses of Council members | Back to Individual Section Format | |

No fees shall be paid to any member of the Council for his services as a member, but a member may be repaid from the funds of the Institute any expenses incurred by him in relation to the affairs of the Institute.

(Amended 23 of 2004 s. 54)

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|---------------------|---|---|------------|
| Section Num: | 21 | Version Date | 08/09/2004 |
| Heading | Appointment of Registrar and notification to Registrar of Companies | Back to Individual Section Format | |

PART IV

REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS

(Amended 23 of 2004 s. 54)

(1) The Council shall appoint, on such terms and conditions as it thinks fit, a Registrar.

(1A) If a vacancy occurs in the office of the Registrar, or if the Registrar is ill or temporarily absent from Hong Kong, the Council may appoint another person to act in the office of the Registrar until the vacancy therein is filled or, as the case may be, until the Registrar resumes his duties. (Added 96 of 1994 s. 9)

(2) The Registrar shall be the secretary to the Institute and to the Council and shall, on the instruction of the President, convene any meeting of the Institute or of the Council. (Amended 23 of 2004 s. 54)

(3) The Council shall register the appointment of the Registrar or any appointment under subsection (1A) with the Registrar of Companies (Amended 8 of 1993 s. 4; 96 of 1994 s. 9)

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| Section Num: | 22 | Version Date | 08/09/2004 |
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Heading **Register of certified public accountants**

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(1) The Registrar shall keep a register for the purposes of this Ordinance and shall be responsible for the custody thereof. (Replaced 85 of 1995 s. 5)

(1A) The register shall be divided into 2 parts as follows-

(a) Part I which shall contain the following-

(i) all the entries and other particulars or matter which comprised the register immediately before the commencement of this subsection; and

(ii) any particulars to be entered in the register pursuant to subsection (2) or section 28C; and

(b) Part II which shall contain such particulars as are required to be entered in that Part by section 28D(8)(a) or 28E(1). (Added 85 of 1995 s. 5)

(1B) Subject to subsection (1A), the register shall be in such form as may be specified by the Council. (Added 85 of 1995 s. 5)

(1C) The register may be maintained-

(a) in a documentary form; or

(b) by recording the information required under subsection (1A) otherwise than in a documentary form, so long as the information is capable of being reproduced in a legible form. (Added 23 of 2004 s. 17)

(2) Upon the making of an order for the registration of an applicant under section 26(1), the Registrar shall enter in the register the following particulars of the person to be registered-

(a) his name;

(b) his residential address and any business address or, if he holds a practising certificate, his residential address and his registered office under section 31; (Amended 85 of 1995 s. 5)

(c) the qualification by virtue of which he is registered; and

(d) such other particulars as the Council may direct.

(3) For the purposes of enabling any member of the public to ascertain whether he is dealing with a certified public accountant, a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice and to ascertain the particulars of registration of such person, the register or (where the

register is maintained otherwise than in a documentary form) a reproduction of the information or the relevant part of it in a legible form shall at all reasonable times be made available for public inspection without charge. (Replaced 23 of 2004 s. 17)

(4) Any person registered as a professional accountant immediately before the relevant day shall be deemed to be registered as a certified public accountant. (Added 23 of 2004 s. 17)

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| Section Num: | 23 | Version Date | 30/06/1997 |
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Heading Certificate of registration

[Back to Individual Section Format](#)

When a person has been registered under section 22, the Registrar shall issue to him a certificate of registration in such form as the Council may determine.

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| Section Num: | 24 | Version Date | 08/09/2004 |
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Heading Qualifications for registration as certified public accountant

[Back to Individual Section Format](#)

(1) A person shall be qualified to be registered under this Ordinance as a certified public accountant if he proves to the satisfaction of the Council that- (Amended 23 of 2004 s. 54)

- (a) he has attained the age of 21 years;
- (b) he is of good character and is a fit and proper person to be a certified public accountant; (Amended 22 of 1977 s. 5; 96 of 1994 s. 10)
- (c) any one of the following applies to him-
 - (i) as a student registered as such with the Institute, he has passed such examinations in accountancy and other subjects as may be prescribed by the Council;
 - (ii) he is a member in good standing of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute and he has complied with all conditions for the recognition as may be provided in the agreement;

(iii) he is a member in good standing of an accountancy body for which members-

(A) the Council has granted full exemption pursuant to subsection (1A) from all the requirements of subparagraph (i); or

(B) the Council has granted partial exemption pursuant to subsection (1A) from some of the requirements of subparagraph (i) and he has complied with all other requirements of that subparagraph for which no exemption was granted;

(iv) he was registered as a professional accountant at any time before the relevant day; and (Replaced 23 of 2004 s. 18)

(d) he has complied with such requirements relating to practical experience as may be prescribed by the Council. (Added 96 of 1994 s. 10)

(1A) The Council may grant exemptions in whole or in part from the requirements of subsection (1)(c)(i) including exemption from the requirement of registration as a student of the Institute to a person who is a member of an accountancy body accepted by the Council by resolution approved by two-thirds of its members as being of a standard similar to that of the Institute: (Amended 23 of 2004 s. 18)

Provided that-

(a) no exemption shall be granted to such a person in respect of any examinations prescribed under subsection (1)(c)(i) unless he has satisfied the Council that he has passed such examinations of that accountancy body as the Council considers to be of equivalent standard as the examinations for which exemption is granted; and (Replaced 23 of 2004 s. 18)

(b) the acceptance of that accountancy body may be revoked by the Council by resolution approved by two-thirds of its members. (Added 96 of 1994 s. 10)

(2) (Repealed 23 of 2004 s. 18)

(Amended 23 of 2004 s. 54)

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| Section Num: | 25 | Version Date | 08/09/2004 |
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Heading **Application for registration**

[Back to Individual Section Format](#)

- (1) A person shall apply to the Council to be registered as a certified public accountant under this Ordinance, in such form as the Council may specify, and shall lodge with his application such registration fee as may be fixed by the Council. (Amended 23 of 2004 s. 54)
- (2) The applicant shall, if so directed by the Council, attend in person before the Council.

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| Section Num: | 26 | Version Date | 08/09/2004 |
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Heading **Acceptance or refusal of registration**

[Back to Individual Section Format](#)

- (1) The Council may order that an application for registration be approved or rejected.
- (2) If the Council orders the rejection of an application under subsection (1)-
- (a) the order of rejection, which shall state the reason for rejection, shall be served forthwith by the Registrar upon the applicant either personally or by post addressed to the address shown in the application; and (Amended 23 of 2004 s. 19)
- (b) the registration fee lodged with the application for registration shall be refunded to the applicant.
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| Section Num: | 27 | Version Date | 08/07/2005 |
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Heading **Removal from register of certain persons**

[Back to Individual Section Format](#)

- (1) The Council shall order a name to be removed from the register-
- (a) in case the name is that of a certified public accountant, if he- (Amended 23 of 2004 s. 54)
- (i) resigns;
- (ii) dies;
- (iii) has been registered by mistake or in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing;
- (iv) has failed to renew his registration under section 28;
- (b) in case the name is that of a corporate practice, if-
- (i) the practice ceases to be qualified for such registration;
- (ii) the practice has been so registered by mistake or in consequence of any misleading, false or fraudulent statement, declaration or representation, either oral or in writing;
- (iii) the practice has failed to renew its registration under section 28E;
- (iv) a receiver has been appointed in respect of the practice or it is being wound up. (Replaced 85 of 1995 s. 6)
- (2) The name of a certified public accountant shall not be removed from the register under subsection (1)(a)(iv)- (Amended 85 of 1995 s. 6; 23 of 2004 s. 54)
- (a) unless notice is sent to him requiring him to renew his registration within 30 days from the date of the notice; or (Amended 23 of 2004 s. 20)
- (b) if and for so long as the Council may, pursuant to section 49(3), refuse to accept his resignation from the Institute. (Replaced 96 of 1994 s. 11)
- (3) The order of the Council to remove the name of any certified public accountant from the register under subsection (1)(a)(iii) shall be served forthwith by the Registrar upon the certified public accountant concerned either personally or by post addressed to his registered address. (Amended 85 of 1995 s. 6; 23 of 2004 s. 20)

(4) The Registrar shall not remove the name of a certified public accountant from the register- (Amended 23 of 2004 s. 54)

(a) before the expiry of 30 days after the date of service of the order under subsection (3); or

(b) in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined.

(Amended 10 of 2005 s. 49)

(5) When the name of a certified public accountant is removed from the register, under subsection (1)(a)(iii), the Registrar shall, as soon as practicable thereafter, cause to be published in the Gazette a notice to that effect. (Amended 14 of 1985 s. 6; 85 of 1995 s. 6)

(6) If the name of a certified public accountant is removed from the register under this section or section 35- (Amended 23 of 2004 s. 54)

(a) the certificate of registration and the practising certificate, if any, issued to the certified public accountant shall be deemed to be cancelled with effect from the date on which his name is so removed; and

(b) no refund of the registration fee or any part thereof shall be made.

(Amended 23 of 2004 s. 54)

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|--------------|----|--------------|------------|
| Section Num: | 28 | Version Date | 08/09/2004 |
|--------------|----|--------------|------------|

Heading [Expiry of registration and renewal](#)

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(1) Registration of a person as a certified public accountant shall- (Amended 23 of 2004 s. 54)

(a) remain in force until 1 January in the year following the year in which he was so registered; and

(b) be renewable annually.

(2) An application for renewal of registration as a certified public accountant- (Amended 23 of 2004 s. 54)

(a) shall be made to the Registrar not later than 15 December in the year preceding the year of renewal (or such later day as the Council may approve either generally or in respect of any application) in such form as the Council may specify; (Amended 22 of 1977 s. 6; 23 of 2004 s.

21)

(b) shall not be granted except on payment of the registration fee fixed by the Council; and (Amended 23 of 2004 s. 21)

(c) shall not be granted unless the applicant has satisfied the Council that he has complied with the requirements for the time being prescribed by the Council for continuing professional development. (Added 23 of 2004 s. 21)

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|--------------|-----|--------------|------------|
| Section Num: | 28A | Version Date | 08/09/2004 |
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Heading Registration of firm name

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(1) A certified public accountant (practising) practising on his own account under a firm name shall apply to the Council for registration of the firm name under this Ordinance.

(2) A firm of certified public accountants (practising) shall apply to the Council for registration of a firm name under this Ordinance. (Amended 23 of 2004 s. 22)

(3) No person shall practise-

(a) on his own account as a certified public accountant (practising) under a firm name; or

(b) in partnership as a firm of certified public accountants (practising),

unless his firm name or, as the case may be, the firm in which he is a partner is registered under this Ordinance.

(4) The Council may reject an application under subsection (1) or (2) if the firm name proposed to be registered-

(a) is the same as a firm name already registered;

(b) so nearly resembles a firm name already registered as to be likely to cause confusion; or

(c) is, in the opinion of the Council, misleading, offensive or otherwise contrary to the public interest.

(5) A firm of certified public accountants (practising) shall not be qualified to be registered under subsection (2) unless all partners of the firm are certified public accountants and at least such proportion as the Council may from time to time prescribe of its partners is or are certified public accountant (practising) or certified public accountants

(practising).

(6) For the avoidance of doubt, it is hereby declared that a person other than the holder of a current practising certificate shall not be entitled to sign an audit report on behalf of a firm of certified public accountants (practising). (Added 23 of 2004 s. 22)

(Replaced 96 of 1994 s. 12. Amended 23 of 2004 s. 22)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 28B | Version Date | 08/09/2004 |
|---------------------|------------|---------------------|-------------------|

Heading Application for registration of a firm

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Application for registration of a firm of certified public accountants (practising) under this Ordinance shall be made to the Council in such form as the Council may specify and there shall be lodged with the application such registration fee as may be fixed by the Council.

(Added 22 of 1977 s. 7. Amended 23 of 2004 s. 23)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 28C | Version Date | 08/09/2004 |
|---------------------|------------|---------------------|-------------------|

Heading Provisions of sections 22, 23, 26, 27, 28, 39 and 41 to apply to firms and firm names

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The provisions of sections 22, 23, 26, 27(1)(a)(iii) and (iv), (2), (3), (4), (5) and (6), 28, 39 and 41 (1)(a) and (b)(i) shall apply mutatis mutandis in relation to the registration of a firm and a firm name as they apply in relation to the registration of a certified public accountant.

(Added 22 of 1977 s. 7. Amended 96 of 1994 s. 13; 85 of 1995 s. 7; 23 of 2004 ss. 24 & 54)

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|---------------------|--|--|-------------------|
| Section Num: | 28D | Version Date | 08/07/2005 |
| Heading | Qualification for registration of company as corporate practice | Back to Individual Section Format | |

(1) Subject to subsection (11)(b), a company limited by shares and formed and registered under the Companies Ordinance (Cap 32), and only such a company, shall be qualified for registration as a corporate practice and where such a company is so registered it shall be qualified to remain registered as a corporate practice if and only for so long as the requirements specified in subsection (2) are complied with in relation to it.

(2) (a) The requirements referred to in subsection (1) are that the company concerned is and continues to be a qualified company and that the requirements of paragraph (b) or, where appropriate, paragraph (c) are complied with in relation to it.

(b) Where a qualified company has for the time being 3 or more members-

(i) each of its members shall be both a director of the company and a certified public accountant and at least such proportion as the Council may from time to time prescribe of its members shall be a certified public accountant (practising) or certified public accountants (practising), and only persons who are members of the company may be a director of the company;

(ii) the requirements referred to in subparagraph (i) shall be complied with as regards the company at all times;

(iii) the company shall at all times be covered by professional indemnity insurance provided by an approved insurer on terms which are either specified in rules under section 51 or, if not so specified, have been approved of by the Council and that the scope of the indemnity which the insurance affords is, as regards any amount payable thereunder and in every other respect, at least as extensive as rules under section 51 require in that regard; and

(iv) the company's memorandum and articles of association shall comply with the requirements of rules (if any) made under section 51.

(c) Where a qualified company has for the time being only 2 members-

- (i) 1 such member shall be a certified public accountant (practising) and the other such member shall be either- (Amended 23 of 2004 s. 25)
- (A) a certified public accountant (practising); or
- (B) a person in relation to whom a permission under subsection (5) is for the time being in force,
- and only persons who are members of the company may be a director of the company; and
- (ii) the company shall comply at all times with both the requirements of subparagraph (i) as regards members and the requirements described in paragraph (b)(iii) and (iv).
- (3) Subject to subsection (4), an application for registration under section 28E shall be allowed if, and only if, the Council is satisfied that-
- (a) the applicant is a qualified company;
- (b) if the application were allowed, the applicant would thenceforth be covered by insurance described in subsection (2)(b)(iii);
- and
- (c) (i) in case the applicant is a company described in subsection (2)(b)-
- (A) the requirements of the company's articles of association include requirements which are appropriate having regard to the requirements of subparagraph (i) of that subsection; and
- (B) the requirements of subparagraph (iv) of that subsection are complied with as regards it; and
- (ii) in case the applicant is a company described in subsection (2)(c)-
- (A) the requirements of the company's articles of association include requirements which are appropriate having regard to the requirements of subparagraph (i) of that subsection; and
- (B) the requirements described in subsection (2)(b)(iv) are complied with as regards it.
- (4) An application for registration under section 28E shall be made to the Council and shall be in such form as the Council may specify and there shall be lodged with the application such registration fee as may be fixed by the Council.
- (5) (a) Subject to paragraph (c), on an application's being made in that behalf by a qualified company described in subsection (2)(c)

the Council may, if it thinks fit, grant as regards that company a permission for the purposes of this section and such a permission shall operate to permit, notwithstanding anything contained in the Companies Ordinance (Cap 32), an individual person who is not a certified public accountant (practising) and who is specified in the application to be a member and director of that company.

(b) A permission for the purposes of this section may be withdrawn by the Council at any time.

(c) A permission for the purposes of this section shall be granted if, and only if, the Council is satisfied that-

(i) in respect of the shareholding of the applicant company, a legally enforceable arrangement exists whereby-

(A) a person who is a certified public accountant (practising) is to hold the entire issued share capital of that company except 1 issued share;

(B) the person holding for the time being the remaining share holds it in trust for the holder referred to in sub-subparagraph (A);

(C) in case the person referred to in sub-subparagraph (B) resigns, dies, or due to mental or physical incapacity becomes unable to act as a director of the applicant company, or in case a permission for the purposes of this section and relating to him is withdrawn, his share will devolve to another person; and

(ii) the person specified in the application is a fit and proper person to whom to give a permission for the purposes of this section; and

(iii) in respect of the management of the applicant company, its memorandum and articles of association contain provisions to the effect that-

(A) the holder referred to in subparagraph (i)(A) is to be the managing director having the day to day management of the company;

(B) such holder is to have a second or casting vote at meetings of the applicant company's board; and

(C) a person referred to in subparagraph (i)(B) is to cease to hold office as a director on his share's devolving to another person as described in subparagraph (i)(C).

(6) (a) Where-

(i) a share devolves to a person other than the holder of a practising certificate pursuant to an arrangement referred to in subsection (5)(c)(i);

(ii) a corporate practice at any time ceases to comply with any of the requirements described in subsection (2) and applying to it, the corporate practice concerned shall, within the period of 14 days beginning on such devolution or cesser, notify the Council in writing of such devolution or cesser.

(b) (i) A notice given pursuant to this subsection because of the devolution of a share may contain an application to the Council for a permission for the purposes of this section regarding a person named in the notice, and the Council may allow or refuse the application.

(ii) Where an application referred to in subparagraph (i) is refused, the Council may when refusing the application require the applicant to bring a further such application within a period specified in the refusal.

(c) Where notice of a cesser described in paragraph (a)(ii) is received by the Council, it may, for the purpose of requiring the relevant corporate practice to comply with any or all of the requirements referred to in that paragraph, attach one or more specified conditions to the practice's registration under section 28E and direct the Registrar to record the conditions in Part II of the register in such manner as he considers appropriate.

(7) In case a condition is attached pursuant to this section, the corporate practice concerned shall comply with it, and if the condition requires compliance within a specified period it shall be so complied with.

(8) Where-

(a) there is a failure to comply with a requirement of subsection (2)(b)(ii), (iii) or (iv) or subsection (2)(c)(ii);

(b) there is a failure to comply with a notification requirement of subsection (6)(a) or section 28H(1) or (2);

(c) a condition attached under subsection (6)(c) or (9)(c) is not complied with; or

(d) a requirement imposed under subsection (6)(b)(ii) is not complied with,

the Council may, if it thinks fit, give the Registrar a direction under this subsection.

(9) (a) A direction under subsection (8) shall, as shall be thereby specified, require the Registrar-

(i) to remove, either permanently or for a period specified in the direction, the name of the corporate practice concerned and any other

relevant particulars from the register forthwith; or

(ii) to give forthwith to such practice a notice described in paragraph (b).

(b) A notice referred to in paragraph (a) shall be in writing and be signed by the Registrar and shall state that a direction under subsection (8) has been given by the Council as regards the corporate practice to which the notice is addressed and that such practice may, within the period of 21 days beginning on the date of the notice, make representations to the Council as to why the Registrar should not comply with the direction (which representations are hereby authorized to be made).

(c) (i) Where representations are made pursuant to paragraph (b), the Registrar shall refer the relevant matter to the Council together with such observations (if any) as he considers appropriate and the Council, having considered such observations (if any) and representations, may either-

(A) if it considers it appropriate, attach specified conditions to the relevant corporate practice's registration under section 28E and direct the Registrar to record the conditions in Part II of the register in such manner as he considers appropriate; or

(B) direct the Registrar to remove the name of such practice and any other relevant particulars from the register forthwith.

(ii) Where such representations are not made within the period specified in paragraph (b), the Registrar shall remove the name of the corporate practice concerned and any other relevant particulars from the register.

(d) Where pursuant to a direction under this section the name of a corporate practice is removed from Part II of the register-

(i) the Registrar shall as soon as is reasonably practicable give the practice written notice of the removal; and

(ii) the practice may, within the period of 21 days beginning on the date of the notice, or such longer period as the Court of Appeal may allow, appeal to that court against the removal.

(e) In determining an appeal under this subsection the Court of Appeal may-

(i) order the Registrar to restore to Part II of the register the name of the corporate practice concerned together with such other

particulars as were removed by him pursuant to the relevant direction under this section;

(ii) grant such other remedy or relief, or make such other order, if any, as the court considers appropriate; or

(iii) confirm such direction.

(10) (a) Subject to paragraph (b), where the name of a corporate practice is removed from the register pursuant to a direction under this section (including a direction confirmed on appeal), the Council shall cause notice of the removal to be published in the Gazette.

(b) A notice referred to in paragraph (a) shall not be published in the Gazette before- (Amended 10 of 2005 s. 50)

(i) in case an appeal is made to the Court of Appeal as regards the removal under subsection (9)(d)(ii), the appeal is finally determined; or (Amended 10 of 2005 s. 50)

(ii) in any other case, the time for taking such an appeal has expired.

(11) (a) For the avoidance of doubt it is hereby declared that nothing in this section shall be construed as repealing by implication or otherwise affecting any provision of Part IVA of the Companies Ordinance (Cap 32) in its application to a director of a corporate practice.

(b) It is hereby declared that-

(i) a company of which a corporation is either a member or a director is not qualified for being registered under this section;

(ii) a corporation is not qualified for being either a member or a director of a corporate practice; and

(iii) a person other than the holder of a current practising certificate shall not be entitled to sign an audit report on behalf of a corporate practice. (Amended 23 of 2004 s. 25)

(12) In this section-

"approved insurer" (認可保險人) means an insurer who is approved by the Council

as regards the provision by him of professional indemnity insurance to any company registered under section 28E;

"qualified company" (合資格公司) means a company described in subsection (1).

(Added 85 of 1995 s. 8)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 28E | Version Date | 08/09/2004 |
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Heading **Registration of corporate practices**

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(1) Where an application under section 28D(3) is allowed, the Registrar shall enter in Part II of the register the following particulars of the company to which the application related-

- (a) its name;
- (b) its registered office for the purposes of the Companies Ordinance (Cap 32); and
- (c) such other particulars (if any) as are for the time being specified for the purposes of this section by the Council.

(2) A corporate practice shall for the purposes of section 27(2), (3), (4), (5) and (6) be deemed to be a certified public accountant.

(Amended 23 of 2004 s. 54)

(Added 85 of 1995 s. 8)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 28F | Version Date | 30/06/1997 |
|---------------------|------------|---------------------|-------------------|

Heading **Certificate of registration of
corporate practice**

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When a company is registered in the register, the Registrar shall issue to the corporate practice concerned a certificate of such registration in such form as the Council shall determine.

(Added 85 of 1995 s. 8)

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|---------------------|---|--|-------------------|
| Section Num: | 28G | Version Date | 26/11/2004 |
| Heading | Provisions of sections to apply to a company | Back to Individual Section Format | |

(1) The provisions of sections 26, 28, 28A(4), 33B, 35, 35B, 36(1A), 37, 38, 39, 40 and 41(1) shall apply mutatis mutandis in relation to a corporate practice as they apply in relation to a certified public accountant. (Amended 23 of 2004 s. 26)

(2) Subsection (1) shall not be construed as limiting or otherwise affecting in any manner any liability incurred by a certified public accountant in the course of practising accountancy. (Added 85 of 1995 s. 8. Amended 23 of 2004 s. 54)

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|---------------------|---|--|-------------------|
| Section Num: | 28H | Version Date | 30/06/1997 |
| Heading | Articles of association of corporate practices | Back to Individual Section Format | |

(1) Where it is proposed to alter or add to the articles of association of a corporate practice ("the amendment"), it shall send to the Registrar written notice of the proposal and such notice shall be so sent not later than the day on which notice is given to its members of the meeting of the practice at which the amendment is to be considered.

(2) Where a corporate practice alters or adds to its articles of association, the practice shall before the expiration of the period of 21 days beginning on the day on which the relevant special resolution is passed, notify the Registrar in writing of the alteration or addition. (Added 85 of 1995 s. 8)

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|---------------------|---|--|-------------------|
| Section Num: | 29 | Version Date | 08/09/2004 |
| Heading | Requirements to practise as certified public accountant (practising) | Back to Individual Section Format | |

- (1) No person, other than a corporate practice, shall practise as a certified public accountant (practising) unless he is registered as a certified public accountant and holds a practising certificate. (Amended 85 of 1995 s. 9; 23 of 2004 s. 27)
- (2) Unless he is either the holder of a practising certificate or a corporate practice, a person shall not hold any appointment or render any services, whether unpaid or otherwise- (Amended 85 of 1995 s. 9)
- (a) as an auditor of a company within the meaning of the Companies Ordinance (Cap 32); or
- (b) as an auditor of accounts for the purpose of any other Ordinance.
- (3) Nothing in this Ordinance shall prevent-
- (a) a person from
- (i) practising publicly and describing himself as an accountant, secretary, book-keeper, tax-agent, tax-consultant or cost- consultant; or
- (ii) describing himself by any other designation, initials or characters not conveying the impression that he is entitled to practise as a certified public accountant (practising); or
- (iii) acting as an auditor of a registered trade union with the approval of the Registrar of Trade Unions; or
- (b) a member of a club, institution or association, which is not carried on with a view to profit, from acting as auditor of the club, institution or association; or
- (c) the Council, upon application, from exempting any person from the provisions of subsection (2)(b).
- (Amended 23 of 2004 s. 27)

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|---------------------|---|--|-------------------|
| Section Num: | 29A | Version Date | 08/09/2004 |
| Heading | Requirements for issue of a practising certificate | Back to Individual Section Format | |

- (1) Subject to subsections (1A), (1B) and (2), a practising certificate shall not be issued to a certified public accountant unless the Council is satisfied that he- (Amended 96 of 1994 s. 14; 23 of 2004 ss. 28 & 54)

(a) has, after becoming a member of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or after becoming a member of an accountancy body accepted by the Council under section 24(1A), or after registration as a certified public accountant, had not less than a total of 30 months full time approved accounting experience in the office of-
(Amended 96 of 1994 s. 14; 23 of 2004 ss. 28 & 54)

(i) a certified public accountant holding a practising certificate issued under this Ordinance; or (Replaced 96 of 1994 s. 14. Amended 23 of 2004 s. 54)

(ii) a person practising public accountancy under the jurisdiction of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or an accountancy body accepted by the Council under section 24(1A); or
(Replaced 96 of 1994 s. 14)

(iii) (Repealed 96 of 1994 s. 14)

(b) has had a period of not less than 4 years full time approved accounting experience in an office or offices referred to in subparagraph (i) or (ii) of paragraph (a) or any combination thereof of which at least 1 year shall have been acquired after he has become a member of an accountancy body with which there is in force an agreement of mutual or reciprocal recognition between the accountancy body and the Institute, or an accountancy body accepted by the Council under section 24(1A) or after his registration as a certified public accountant. (Replaced 96 of 1994 s. 14. Amended 23 of 2004 ss. 28 & 54)

(1A) For the purpose of subsection (1) the Council may require the whole or any part of the 30 months of full time accounting experience under subsection (1)(a) or the 4 years of full time accounting experience under subsection (1)(b) to have been acquired within such period preceding the application for a practising certificate as may from time to time be specified by the Council. (Added 96 of 1994 s. 14)

(1B) A practising certificate shall not be issued to an applicant if there is in force against him an order of the Disciplinary Committee under section 35(1)(db) to that effect. (Added 23 of 2004 s. 28)

(2) A practising certificate shall not be issued to an applicant unless he satisfies the Council that he-

(a) is ordinarily resident in Hong Kong; and

(b) possesses such local experience and knowledge of local law and

practice as the Council may consider necessary.

(3) For the purposes of subsection (2)(b) the Council may require an applicant to sit such examinations as it may prescribe which shall include an examination in local law and taxation, and may require an applicant to have had not less than 1 year full time approved accounting experience in Hong Kong.

(4) If the Council considers that an applicant has acquired substantial experience in accountancy, either in Hong Kong or elsewhere over a considerable period of time the Council may dispense with the requirements of subsection (2).

(5) For the purposes of this section-

(a) "approved accounting experience" (認可會計經驗) means such professional accountancy experience as the Council may approve from time to time as sufficient practical experience; and

(b) a person shall be treated as ordinarily resident if he has been present in Hong Kong for not less than 180 days in the preceding 12 months.
(Added 22 of 1977 s. 8. Amended 14 of 1985 s. 7)

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|--------------|-----|--------------|------------|
| Section Num: | 29B | Version Date | 30/06/1997 |
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Heading (Repealed 96 of 1994 s. 15)

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| Section Num: | 30 | Version Date | 08/09/2004 |
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Heading Practising certificates

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(1) A certified public accountant may apply to the Registrar in the month of November in any year, for a practising certificate, in the form specified by the Council. (Amended 23 of 2004 s. 54)

(2) If the Council is satisfied that the applicant has complied with the requirements for the time being of section 29A and intends to

practise as a certified public accountant (practising), the Registrar shall, on payment of the fee fixed by the Council, issue to the certified public accountant a practising certificate in the form specified by the Council for the period of one calendar year from 1 January next following the date of the application. (Amended 22 of 1977 s. 9; 96 of 1994 s. 16; 23 of 2004 ss. 29 & 54)

(3) The Council may permit the application for a practising certificate to be made under subsection (1) at any time and upon such application the Registrar may issue to the applicant a practising certificate for any period not exceeding one calendar year and ending on 31 December in any year.

(4) Notwithstanding subsections (1) and (2), a person registered as a public accountant immediately before the relevant day is exempted from complying with the requirements of section 29A(1) and (2). (Replaced 23 of 2004 s. 29)

(5) If the Council refuses an application under subsection (1), the Registrar shall forthwith inform the applicant by notice in writing, served either personally or by post, of the decision of the Council and of the reasons for refusing to issue the practising certificate. (Amended 23 of 2004 s. 29)

(6) If a certified public accountant fails to commence practice within 6 months from the date of issue of the practising certificate the Council may cancel the practising certificate. (Added 22 of 1977 s. 9. Amended 23 of 2004 s. 54)

(7) A practising certificate shall not be issued to, and the Council may cancel the practising certificate of, a certified public accountant who is or has become bankrupt or has entered into a voluntary arrangement with his creditors within the meaning of the Bankruptcy Ordinance (Cap 6). (Added 23 of 2004 s. 29)

(8) Notwithstanding subsections (2) and (4), the Council may-

(a) refuse to issue a practising certificate if the applicant has failed to satisfy the Council that he has complied with the Institute's requirements for continuing professional development; or

(b) issue a practising certificate to an applicant subject to the condition that he shall comply with the Institute's requirements for continuing professional development within a specified period. (Added 23 of 2004 s. 29)

(9) Where the Council is of the opinion that a certified public accountant has failed to comply with any condition imposed under subsection (8) it may, after affording the certified public accountant the opportunity to make representations, suspend or cancel the practising certificate of the certified public accountant with or without refunding the fee paid for the certificate. (Added 23 of 2004 s. 29)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 31 | Version Date | 08/09/2004 |
|---------------------|-----------|---------------------|-------------------|

Heading Registered office

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(1) Every certified public accountant (practising) shall have a registered office in Hong Kong to which all communications and notices may be addressed.

(2) The address of the registered office shall be given in the application for a practising certificate.

(3) Any change in such address shall be notified to the Registrar within 14 days thereof and shall be entered in the register by the Registrar.

(4) Any certified public accountant (practising) who practises in contravention of this section shall be guilty of an offence and shall be liable on conviction to a fine of \$5000. (Amended 22 of 1977 s.10)

(5) (a) The references in this section to a certified public accountant (practising) shall each be construed as including a reference to- (Amended 23 of 2004 ss. 30 & 54)

(i) a certified public accountant (practising) who practises under a firm name;

(ii) a firm of certified public accountants (practising); and

(iii) a corporate practice.

(b) In the application of subsection (1) to a corporate practice-

(i) that subsection shall be construed as if the reference therein to a registered office were a reference to the registered office of the practice for the purposes of the Companies Ordinance (Cap 32); and

(ii) that subsection's requirements shall be regarded as being complied with by the practice for so long as it has an office for the purposes of that Ordinance. (Added 85 of 1995 s. 10)

(c) In the application of subsection (2) to a certified public accountant (practising) who practises under a firm name, a firm of certified public accountants (practising) and a corporate practice, that subsection shall be construed as if the reference therein to a practising certificate were a reference to registration of the firm name, the firm and the corporate practice respectively. (Added 23 of 2004 s. 30)
(Amended 23 of 2004 s. 30)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 32 | Version Date | 08/09/2004 |
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Heading **Publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same** [Back to Individual Section Format](#)

Publication of list of certified public accountants holding practising certificates and list of firm names and evidence of same
(Amended 23 of 2004 s. 31)

- (1) As soon as practicable after 1 January in every year, the Registrar shall cause to be published in the Gazette-
- (a) a list of certified public accountants holding practising certificates for the period specified in such list and the addresses of their registered offices; (Amended 23 of 2004 s. 54)
- (b) a list of firm names registered under the Ordinance and the addresses of their registered offices; and (Replaced 22 of 1977 s. 11. Amended 96 of 1994 s. 17)
- (c) a list of the corporate practices for the time being, and the addresses of their registered offices referred to in section 28E(1)(b). (Added 85 of 1995 s. 11)
- (2) As soon as practicable after 1 July in every year, the Registrar shall cause to be published in the Gazette a list of amendments to the lists referred to in subsection (1). (Amended 22 of 1977 s. 11)
- (3) (a) The list of certified public accountants published under subsection (1)(a), and any amendments thereto under subsection (2), shall be evidence that any person whose name appears therein is a certified public accountant holding a practising certificate for the

period specified therein. (Amended 22 of 1977 s. 11; 23 of 2004 s. 54)

(b) The list of corporate practices published under subsection (1)(c), and any amendments thereto under subsection (2), shall be evidence that any such practice whose name appears therein was registered in the register and remained so registered during any period specified in such list as regards that practice. (Added 85 of 1995 s. 11)

(4) A certificate purporting to be signed by the Registrar that the name of a person or firm has or has not been entered in or has been removed from the register, or that a person registered holds or does not hold a practising certificate or that a corporate practice has or has not been entered in or has been removed from the register, shall be evidence of the facts stated therein.

(Amended 85 of 1995 s. 11)

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| Section Num: | 32A | Version Date | 08/09/2004 |
| Heading | Establishment and appointment of members of Practice Review Committee | <u>Back to Individual Section Format</u> | |

PART IVA

PRACTICE REVIEWS

(1) There shall be a body to be known as the Practice Review Committee.

(2) Subject to subsections (3) and (4), the Council shall from time to time appoint from among certified public accountants the members of the Practice Review Committee and designate one of the members to be its chairman. (Amended 23 of 2004 s. 54)

(3) (a) The Practice Review Committee shall consist of such number of members, being not less than 5, as the Council shall fix and of whom not more than 2 may also be members of the Council.

(b) Of the members of the Practice Review Committee not less than 2/3rds shall each hold a practising certificate.

(4) A person shall not be a member of the Practice Review Committee and the Disciplinary Committee at the same time.

- (5) The term of office of a member of the Practice Review Committee shall be specified by the Council in the instrument under which he is appointed.
- (6) Section 50(a) of the Interpretation and General Clauses Ordinance (Cap 1) shall not apply as regards the Practice Review Committee.
- (7) The quorum for any meeting of the Practice Review Committee shall be not less than half of the members of the Practice Review Committee for the time being.
- (8) The Practice Review Committee may appoint sub-committees of its members and may delegate to any such sub-committee, with or without restrictions, any of its functions or powers except the powers conferred on it by section 32D(5).
- (9) A delegation under subsection (8) shall not preclude the exercise or performance by the Practice Review Committee of any power or function to which the delegation relates.
- (10) Subject to this Part and any directions issued by the Council under section 32B, the Practice Review Committee or any sub-committee thereof may regulate its own procedure and business.
- (Part IVA added 14 of 1992 s. 4)

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| Section Num: | 32B | Version Date | 08/09/2004 |
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Heading Council's powers under this Part

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- (1) The Council may-
- (a) specify the particular professional standards in relation to which practice reviews are to be carried out;
- (b) issue directions to the Practice Review Committee requiring an examination or a review, to determine whether professional standards specified under paragraph (a) are being, or when so specified, have been observed, maintained or applied, to be carried out as regards-
- (i) every practice unit; or
- (ii) such practice units as specified by it;
- (c) issue directions to the Practice Review Committee relating to the exercise of any power conferred under section 32D(1), (2), (3) or (5); and

(d) without affecting the generality of section 18(1)(b), appoint or engage any certified public accountant- (Amended 23 of 2004 s. 54)

(i) holding such qualifications; and

(ii) on such terms and conditions,

as it may determine, for the purpose of carrying out practice reviews.

(2) The remuneration or other payments payable to a reviewer and any reasonable expenses incurred by him in relation to the conduct of a practice review shall be paid from the funds of the Institute. (Amended 23 of 2004 s. 54)

(3) The Council shall furnish a reviewer with a copy of his appointment.

(Part IVA added 14 of 1992 s. 4)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 32C | Version Date | 08/09/2004 |
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Heading **Conduct of practice reviews**

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(1) Where the Council issues a direction under section 32B(1)(b), the Practice Review Committee shall by notice in writing inform the Registrar of the issue and contents of such direction.

(2) Upon receipt of a notice under subsection (1), the Registrar shall-

(a) determine the order in which the practice units to which the direction referred to in the notice relates, are to be reviewed or examined; and

(b) for the purpose of and to the extent necessary for giving effect to that direction assign a reviewer or reviewers to carry out a practice review as regards each such practice unit.

(3) A reviewer who carries out a practice review pursuant to this section shall make a report to the Practice Review Committee at the conclusion of the practice review and at any other stage thereof as may be required by the Practice Review Committee.

(4) A reviewer shall, before making a report required by subsection (3), send a dated draft of the proposed report to the practice unit concerned and to each individual (if any) who is named in the report by post or recorded delivery addressed to the registered office or registered

address of the practice unit or the individual, as the case may be.

(Amended 23 of 2004 s. 32)

(5) Where-

(a) a corporate practice, a firm, a certified public accountant practising on his own account or any other individual is sent a draft of a proposed report pursuant to the requirements of subsection (4), such practice, firm, accountant or other individual may, within the period of 21 days beginning on the day after the draft report is so sent, make submissions or representations in writing to the reviewer concerned as regards the proposed report; and (Amended 85 of 1995 s. 12; 23 of 2004 s. 54)

(b) any submissions or representations are made under paragraph (a), they shall be considered by the reviewer concerned.

(6) A reviewer shall attach to a report referred to in subsection (3) submissions or representations (if any) made under subsection (5) as regards the report in its draft form.

(7) Where a reviewer makes a report under subsection (3) he shall send to the practice unit or the individual concerned a copy of such report by post or recorded delivery addressed to the registered office or registered address of the practice unit or the individual, as the case may be. (Amended 23 of 2004 s. 32)

(8) A reviewer shall comply with any instructions given under section 32D(1)(b).

(Part IVA added 14 of 1992 s. 4)

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| Section Num: | 32D | Version Date | 26/11/2004 |
| Heading | Powers of the Practice Review Committee | Back to Individual Section Format | |

(1) The Practice Review Committee may subject to any directions issued under section 32B(1)-

(a) determine the practice and procedure to be observed in relation to practice reviews;

(b) issue instructions to any reviewer on any matter relating to practice reviews or a particular practice review;

(c) do or perform any other thing or act as may be incidental to or which it considers necessary or expedient for the performance of its functions or exercise of its powers under this Ordinance.

(2) After receipt of a report under section 32C(3), the Practice Review Committee, having had regard to the report and submissions or representations (if any) attached to it, if thought fit, may make recommendations to the practice unit concerned regarding the application by it of professional standards.

(3) The Practice Review Committee, having had regard to a report issued by a reviewer and submissions or representations (if any) attached to it, may-

(a) issue an instruction to a reviewer to carry out, within such period as may be specified in the instruction (which period shall not commence earlier than 6 months after the date on which the instruction is issued), a further practice review as regards the practice unit to which the report relates; and

(b) specify in the instruction, the matters as regards which the review is to be carried out.

(4) Nothing in section 32B(1) or 32C(2) shall be construed as preventing the Practice Review Committee from issuing an instruction under subsection (3) and for the avoidance of doubt it is hereby declared that the powers conferred by subsection (1) shall operate as regards any practice review carried out pursuant to such instruction.

(5) Where after the conclusion of a practice review the Practice Review Committee is, having had regard to any report issued by a reviewer and submissions or representations (if any) attached to it, of the opinion that-

(a) in case the review related to a firm, any one or more or all of the partners in the firm;

(b) in case the review related to a certified public accountant practising on his own account, that accountant;

(c) in case the review related to a corporate practice, 1 or more or all of the directors of the practice, (Added 85 of 1995 s. 13) may have failed to observe, maintain or apply, as the case may be, professional standards, then subject to subsection (7) the Practice Review Committee may make a complaint regarding any such director, such partner

or other certified public accountant concerned or, in case there is more than one such person concerned, a separate complaint in respect of each of them, to the Registrar. (Amended 85 of 1995 s. 13; 23 of 2004 s. 54)

(6) A complaint under subsection (5) shall, for the purposes of Part V, be deemed to have been made under section 34(1).

(7) Where-

(a) a complaint is made under subsection (5); and

(b) immediately prior to the commencement of the relevant practice review-

(i) the director, partner or other certified public accountant to whom the complaint relates had not previously been a director of any corporate practice or a partner in any firm at any time when a practice review was carried out as regards that practice or that firm; and

(Replaced 85 of 1995 s. 13)

(ii) a practice review had not previously been carried out as regards his practising on his own account,

the Council shall not refer the complaint to the Disciplinary Panels under section 34(1) unless it decides by a majority of 3/4ths of its members for the time being that, were the grounds of complaint or any such ground or any matter or matters complained of established, the relevant act or omission by such director, such partner or other certified public accountant would have amounted to serious professional misconduct.

(Amended 96 of 1994 s. 18; 85 of 1995 s. 13; 23 of 2004 ss. 33 & 54)

(Part IVA added 14 of 1992 s. 4)

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| Section Num: | 32E | Version Date | 08/09/2004 |
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Heading Powers of reviewers

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(1) The following provisions shall apply as regards any practice review-

(a) Any person, to whom this paragraph applies, and who is reasonably believed by a reviewer to have in his possession or under his control any record or other document which contains or is likely to contain information relevant to the practice review shall, subject to subsection (3)-

(i) produce to the reviewer or afford him access to, any record or document specified by the reviewer or any record or other document which is of a class or description so specified and which is in his possession or under his control being in either case a record or other document which the reviewer reasonably believes is or may be relevant to the practice review, within such time and at such place as the reviewer may reasonably require;

(ii) if so required by the reviewer, give to him such explanation or further particulars in respect of anything produced in compliance with a requirement under subparagraph (i) as the reviewer shall specify;

(iii) give to the reviewer all assistance in connection with the practice review which he is reasonably able to give.

(b) Where any information or matter relevant to a practice review is recorded otherwise than in a legible form, any power to require the production of any record or other document conferred under paragraph (a), shall include the power to require the production of a reproduction of any such information or matter or of the relevant part of it in a legible form.

(c) A reviewer may inspect, examine or make copies of or take any abstract of or extract from a record or document which may be required to be produced under paragraph (a) or (b).

(d) Where-

(i) a copy of any record or document is supplied by or on behalf of the practice unit for the purposes of this section; or

(ii) a copy thereof is made in the exercise of any power conferred under this section and a photocopying machine or other facility of the practice unit is used to make such copy, the Institute shall reimburse the reasonable photocopying or other expenses incurred in making such copy.

(e) A reviewer exercising a power under this section shall, if so requested by a person affected by such exercise, produce for inspection by such person a copy of the appointment furnished to him under section 32B(3).

(2) Subsection (1)(a) applies to any certified public accountant of the practice unit to which the particular practice review relates or to any person employed by or whose services are engaged by such unit.

(3) Nothing in this section shall be taken to compel the production by a person of a record or document containing a privileged communication by or to a legal practitioner in that capacity.

(Part IVA added 14 of 1992 s. 4. Amended 23 of 2004 s. 54)

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| Section Num: | 32F | Version Date | 08/09/2004 |
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Heading Referral of disputes

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(1) Subject to subsection (4), where a dispute arises in relation to whether or how a power or powers of a reviewer under section 32E may be exercised in a particular case, either the practice unit or the reviewer concerned, or both, may refer the dispute to the Practice Review Committee.

(2) Where a dispute is referred under subsection (1), after considering any submissions or representations (which shall be in writing) made by the relevant practice unit or the relevant reviewer, the Practice Review Committee-

(a) shall determine the dispute and communicate such determination to each of the parties to the dispute; and

(b) may issue directions relating to the matter in dispute to such practice unit or the reviewer concerned and require such unit or reviewer to comply with them.

(3) Where a practice unit or a reviewer is required to comply with a direction under subsection (2)(b) and fails to comply with the requirement, the Practice Review Committee may make a complaint to the Registrar regarding any corporate practice or any certified public accountant concerned, and in case such a complaint is made it shall, for the purposes of Part V, be deemed to have been made under section 34(1).
(Amended 85 of 1995 s. 14; 23 of 2004 s. 54)

(4) Nothing in this Part shall be construed as enabling the Practice Review Committee or a reviewer finally to determine whether or not the provisions of section 32E(3) apply in relation to any record or document.

(Part IVA added 14 of 1992 s. 4)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 32G | Version Date | 30/06/1997 |
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Heading **Immunity**

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(1) A person who complies with a requirement made under section 32E shall not incur any liability to any person by reason only of that compliance.

(2) No liability shall be incurred by any person in respect of anything done or omitted to be done by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Part.

(Part IVA added 14 of 1992 s. 4)

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| Section Num: | 32H | Version Date | 01/12/2006 |
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Heading **Secrecy**

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(1) Subject to subsection (2), and except in the performance, or assisting in the performance, of a function under this Part, the Registrar, any reviewer, member of the Practice Review Committee or the Council or a person holding any other position who assists the Registrar, reviewer or a member of the Practice Review Committee or the Council in the performance of a function under this Part-

(a) shall at all times after his appointment as the Registrar, a reviewer, or a member of the Practice Review Committee or the Council or to such other position, as the case may be, or during or after the performance of or assisting in the performance of such function, preserve and aid in preserving secrecy with regard to any matter coming to his knowledge in the performance or in assisting in the performance of any such function;

(b) shall not at any time communicate any such matter to any other person; and

(c) shall not at any such time suffer or permit any other person to have any access to any record, document or other thing which is in his possession or under his control by virtue of his being or having been so

appointed or his having performed or having assisted any other person in the performance of such a function.

(2) Subsection (1) shall not apply in relation to- (Amended 18 of 2006 s. 72)

(a) any disclosure made in relation to or for the purpose of any disciplinary proceedings under Part V or criminal proceedings; or

(b) any disclosure to the FRC for the purpose of enabling or assisting the FRC to perform its functions under the Financial Reporting Council Ordinance (Cap 588). (Amended 18 of 2006 s. 72)

(3) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine of \$100000 and to imprisonment for 6 months.

(Part IVA added 14 of 1992 s. 4)

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| Section Num: | 321 | Version Date | 08/09/2004 |
| Heading | Change in composition of practice unit | <u>Back to Individual Section Format</u> | |

(1) In this section, a reference to a change in composition of a practice unit means-

(a) in relation to a firm of certified public accountants

(practising), a change in the persons who comprise the partners of the firm, if at least one of the partners of the firm before the change is a partner of the firm after the change;

(b) in relation to a corporate practice, a change in the persons who comprise the directors of the corporate practice;

(c) in relation to a certified public accountant (practising) practising on his own account, the admission by him of any partner to his practice; and

(d) in relation to any practice unit, a change in the name of the practice unit, whether or not following or in consequence of an event described in paragraph (a), (b) or (c).

(2) Where a change in composition of a practice unit occurs, a reference in this Part to a practice unit shall include the practice unit after the change in composition.

(3) The powers under this Part shall be exercisable as regards a

practice unit notwithstanding a change in composition of the practice unit.

- (4) No change in composition of a practice unit shall affect-
- (a) any right, obligation or liability acquired or incurred by or accrued to a practice unit under this Part before the change; or
- (b) any practice review or further practice reviews of a practice unit, and any practice review or further practice reviews may be carried out and continued as regards the practice unit notwithstanding a change or further changes in composition of the practice unit.

(5) This section applies to changes in composition of practice units whenever occurring and practice reviews whenever conducted.

(Added 23 of 2004 s. 34)

(Part IVA added 14 of 1992 s. 4)

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| Section Num: | 33 | Version Date | 26/11/2004 |
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Heading **Disciplinary Panels**

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PART V

DISCIPLINARY PROCEEDINGS

- (1) There shall be 2 Disciplinary Panels-
- (a) Disciplinary Panel A shall consist of not less than 18 lay persons appointed by the Chief Executive of whom one shall be appointed by the Chief Executive to be the Disciplinary Committee Convenor and another to be his alternate;
- (b) Disciplinary Panel B shall consist of not less than 12 certified public accountants appointed by the Council of whom not less than 6 shall be holders of practising certificates. (Replaced 23 of 2004 s. 35)
- (1A) The Disciplinary Committee Convenor shall not be appointed for a term exceeding 1 year but shall be eligible for reappointment for a further term or terms of not exceeding 1 year each. (Added 23 of 2004 s. 35)
- (1B) The alternate of the Disciplinary Committee Convenor shall act in place of the Disciplinary Committee Convenor if the Disciplinary

Committee Convenor is precluded by illness, absence from Hong Kong or any other cause from performing his functions as such. (Added 23 of 2004 s. 35)

(2) A person who is a member of the Council or is for the time being appointed under section 42B shall be disqualified for membership of any of the Disciplinary Panels and, accordingly, if a member of any of the Disciplinary Panels either becomes a member of the Council or is so appointed his membership of any of the Disciplinary Panels shall thereupon cease.

(3) (a) Where pursuant to section 34 a complaint is referred to the Disciplinary Panels, the Council shall constitute a Disciplinary Committee to deal with the complaint by directing the Disciplinary Committee Convenor to appoint the chairman and other members of the Disciplinary Committee, and the Disciplinary Committee Convenor shall act in accordance with such direction.

(b) Subject to section 33B(4), a Disciplinary Committee constituted pursuant to paragraph (a) shall consist of the following 5 members- (Amended 23 of 2004 s. 35)

(i) a person appointed by the Disciplinary Committee Convenor from Disciplinary Panel A who shall be the chairman of the Disciplinary Committee;

(ii) 2 persons appointed by the Disciplinary Committee Convenor from Disciplinary Panel A; and

(iii) 2 persons appointed by the Disciplinary Committee Convenor from Disciplinary Panel B of whom one shall be the holder of a practising certificate.

(c) The Disciplinary Committee Convenor shall not be appointed as a member of a Disciplinary Committee. (Replaced 23 of 2004 s. 35)

(Replaced 96 of 1994 s. 19. Amended 23 of 2004 s. 35)

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| Section Num: | 33A | Version Date | 30/06/1997 |
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Heading (Repealed 85 of 1995 s. 15)

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(Repealed 85 of 1995 s. 15)

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| Section Num: | 33B | Version Date | 08/09/2004 |
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Heading Dealing with complaints

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(1) Subject to subsection (2), the quorum for a Disciplinary Committee shall be 4.

(2) If immediately before commencing to deal with a complaint, or if at any stage in the course of dealing with a complaint (being a stage at which the certified public accountant against whom the complaint has been made is entitled to be present or represented) one of the members of the Disciplinary Committee is absent, such certified public accountant or his representative may object to the complaint's being dealt with in the absence of such member, and in case an objection is made pursuant to this subsection and is not withdrawn the Disciplinary Committee concerned shall neither commence to deal nor, where appropriate, further deal with the relevant complaint until either the objection is withdrawn or the member whose absence occasioned the objection is present. (Amended 23 of 2004 s. 54)

(3) Where-

(a) (i) a Disciplinary Committee, having given the certified public accountant concerned or his representative an opportunity of being heard in the proceedings, is unable to decide whether an order under section 35, or what kind of such order, should be made; and (Amended 23 of 2004 s. 54)

(ii) the committee's inability so to decide is because one of its members is absent or is otherwise unable to participate in the committee's deliberations regarding the decision; or

(b) the Council is of opinion that because an objection made under subsection (2) which has not been withdrawn or because of the death, illness or other incapacity or the absence from Hong Kong of the person who is the chairman of a Disciplinary Committee, it is impracticable for the committee to continue to deal with the complaint with which it is concerned the Council shall by resolution dissolve the committee.

(4) (a) Where a Disciplinary Committee is dissolved pursuant to subsection (3), the following shall apply-

(i) subject to paragraph (b), the Council shall at the same time

constitute another Disciplinary Committee to deal with the complaint with which the dissolved committee was concerned; and

(ii) in dealing with the complaint, the Disciplinary Committee constituted pursuant to the requirement of subparagraph (i) shall deal with it afresh and, accordingly, it shall not have any regard to the proceedings of the committee which before its dissolution under subsection (3) was concerned with the complaint.

(b) Where a Disciplinary Committee is dissolved under subsection (3), a person who was a member of the dissolved committee and who participated in any way in its proceedings shall not be eligible for membership of the Disciplinary Committee constituted pursuant to the requirements of paragraph (a)(i).

(Added 96 of 1994 s. 21)

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| Section Num: | 34 | Version Date | 16/07/2007 |
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Heading **Disciplinary provisions**

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(1) A complaint that-

(a) a certified public accountant- (Amended 23 of 2004 s. 54)

(i) has been convicted of any offence under Part V (Perjury) of the Crimes Ordinance (Cap 200);

(ia) has been convicted of any offence under section 31 of the Financial Reporting Council Ordinance (Cap 588); (Added 18 of 2006 s. 73)

(ib) has been punished by the Court of First Instance under section 32(2)(b) of the Financial Reporting Council Ordinance (Cap 588) for failing to comply with a requirement imposed under section 25, 26, 27 or 28 of that Ordinance or for being involved in the failure; (Added 18 of 2006 s. 73)

(ic) has been punished by the Court of First Instance under section 45(2)(b) of the Financial Reporting Council Ordinance (Cap 588) for failing to comply with a requirement imposed under section 43 of that Ordinance or for being involved in the failure; (Added 18 of 2006 s. 73)

(ii) has been convicted in Hong Kong or elsewhere of any offence involving dishonesty;

- (iii) whether as a certified public accountant or not- (Amended 23 of 2004 s. 54)
 - (A) falsified or caused to be falsified any document;
 - (B) made any statement which is material and which he knows to be false or does not believe to be true, in respect of any document;
 - (iv) has been negligent in the conduct of his profession;
 - (v) without reasonable excuse, failed or neglected to comply with any direction issued under section 32F(2) and with which he was required by the Practice Review Committee to comply;
 - (vi) failed or neglected to observe, maintain or otherwise apply a professional standard;
 - (vii) without reasonable excuse, failed or neglected to comply with any requirement made under section 42D in relation to him by an Investigation Committee;
 - (viii) has been guilty of professional misconduct;
 - (ix) refused or neglected to comply with the provisions of any bylaw or rule made or any direction lawfully given by the Council;
 - (x) was guilty of dishonourable conduct;
 - (xi) while a director of a corporate practice, rendered any service as, or purporting to be, a director of a company whose name did not appear in Part II of the register at the time when the service was rendered; or
 - (xii) being such a director, practised accountancy as such a director at a time when the corporate practice was covered by professional indemnity insurance either not at all or not to the extent required by this Ordinance;
- (b) a corporate practice-
 - (i) or any of its directors-
 - (A) falsified or caused to be falsified any document;
 - (B) made any statement which is material and which any of its directors knows to be false or does not believe to be true, in respect of any document;
 - (ii) failed to comply with a requirement referred to in section 28D(6)(a) or (7) or ceased or failed to comply with any requirement of section 28D(2)(b) or (c) applying to it;
 - (iii) rendered any service under a company name other than the name which then appeared in relation to the practice in the register;
 - (iv) being such a practice, practised accountancy without being covered by professional indemnity insurance at all or to the extent

required by this Ordinance; or

(v) did or omitted to do something which, were the practice an individual certified public accountant, would reasonably be regarded as being dishonourable conduct by an individual,

shall be made to the Registrar who shall submit the complaint to the Council which may, in its discretion but subject to section 32D(7), refer the complaint to the Disciplinary Panels. (Amended 14 of 1992 s. 6)

(1AAA) If the Council decides not to refer the complaint to the Disciplinary Panels, the complainant who is aggrieved by the Council's decision may request the Council to refer the complaint to the Disciplinary Panels, whereupon the Council shall, unless it is of the opinion that no prima facie case has been shown for the complaint, or that the complaint is frivolous or vexatious, refer the complaint to the Disciplinary Panels. (Added 23 of 2004 s. 36)

(1AA) The provisions of subparagraphs (ia), (ib), (ic), (iv), (v), (vi), (vii), (viii) and (ix) of paragraph (a) of subsection (1) shall apply mutatis mutandis in relation to a corporate practice and accordingly, in addition to those specified in subsection (1)(b), a complaint under subsection (1) may be made against such a practice on any 1 or more of the grounds specified in those subparagraphs as so applied.

(Added 85 of 1995 s. 16. Amended 18 of 2006 s. 73)

(1A) Where the Registrar has reason to believe that subsection (1)(a) or (b), or subsection (1)(a) as applied by subsection (1AA), applies to a certified public accountant or a corporate practice, he shall submit the facts to the Council which may, in its discretion, refer the complaint to the Disciplinary Panels. (Added 22 of 1977 s. 12. Amended 14 of 1985 s. 10)

(2) For the purposes of subsection (1)(a)(x) and (b)(v),

"dishonourable conduct" (不名譽的行為) means an act or omission of a certified public accountant, whether or not in the course of carrying out professional work or as a certified public accountant, which would reasonably be regarded as bringing or likely to bring discredit upon the certified public accountant himself, the Institute or the accountancy profession.

(3) A person who was a member of the Practice Review Committee at any time when a complaint was made by it under section 32D(5) shall not take part as a member of a Disciplinary Committee in any proceedings

relating to such complaint. (Added 14 of 1992 s. 6)
(Amended 96 of 1994 s. 22; 85 of 1995 s. 16; 23 of 2004 ss. 36 & 54)

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| Section Num: | 35 | Version Date | 16/07/2007 |
| Heading | Disciplinary powers of Disciplinary Committee | | Back to Individual Section Format |

- (1) If a Disciplinary Committee is satisfied that a complaint referred to it under section 34 is proved, the Disciplinary Committee may, in its discretion make any one or more of the following orders-
- (a) an order that the name of the certified public accountant be removed from the register, either permanently or for such period as it may think fit;
- (b) an order that the certified public accountant be reprimanded;
- (c) an order that the certified public accountant pay a penalty not exceeding \$500000 to the Institute;
- (d) an order that the certified public accountant- (Amended 18 of 2006 s. 74)
- (i) pay the costs and expenses of and incidental to an investigation against him under Part VA; and
- (ii) where the disciplinary proceedings were instituted as a result of an investigation under the Financial Reporting Council Ordinance (Cap 588), pay to the FRC the sum the Disciplinary Committee considers appropriate for the costs and expenses in relation or incidental to the investigation reasonably incurred by the FRC; (Amended 18 of 2006 s. 74)
- (da) an order that the practising certificate issued to the certified public accountant be cancelled; (Added 23 of 2004 s. 37)
- (db) an order that a practising certificate shall not be issued to the certified public accountant either permanently or for such period as the Disciplinary Committee may think fit, (Added 23 of 2004 s. 37)
- (e) (Repealed 23 of 2004 s. 37)
- and the Disciplinary Committee may in any case- (Amended 23 of 2004 s. 37)
- (i) provide for an order to take effect on such date as the Disciplinary Committee thinks fit;

(ii) provide for an order to take effect only upon the happening or non-happening of such event within such period as may be specified by the Disciplinary Committee;

(iii) make such order as the Disciplinary Committee thinks fit with regard to the payment of costs and expenses of and incidental to the proceedings, whether of the Institute (including the costs and expenses of the Disciplinary Committee) or of any complainant or of the certified public accountant, and any costs and expenses or penalty ordered to be paid may be recovered as a civil debt. (Replaced 96 of 1994 s. 23. Amended 23 of 2004 ss. 37 & 54)

(1A) Where any rules made under section 51 provide for a re-hearing by a Disciplinary Committee of a complaint referred to it under section 34, any order or decision made under subsection (1) shall, if a Disciplinary Committee re-hears the complaint, cease to have effect and subsection (1) shall apply to such re-hearing as if it were the original hearing. (Added 14 of 1985 s. 11. Amended 85 of 1995 s. 17)

(2) Nothing in this section shall be deemed to require a Disciplinary Committee to inquire into the question whether a professional accountant was properly convicted but the Committee may consider the record of a case in which such conviction was recorded and such other evidence as may show the nature and gravity of the offence.

(3) A Disciplinary Committee shall cause a copy of any order made under subsection (1)(a) or, if the order is varied on appeal, the order as so varied to be published in the Gazette together with a summary of the nature of the complaint to which the order relates:

Provided that no order shall be so published before the expiry of 30 days after the date of service of the order on the professional accountant under section 38(1) or, in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined. (Amended 10 of 2005 s. 51)

(Amended 96 of 1994 s. 23)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 35A | Version Date | 08/09/2004 |
|---------------------|------------|---------------------|-------------------|

Heading **Payment of fees to members of
Disciplinary Committee**

[Back to Individual
Section Format](#)

The Institute may pay fees at such rates as the Council may from time to time fix and such expenses as the Council may deem fit to any members of a Disciplinary Committee for the performance by them of their duties or for any work done by them, and such fees and expenses shall for the purpose of section 35(1) form part of the costs and expenses of the Institute of and incidental to the disciplinary proceedings.

(Added 23 of 2004 s. 38)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 35B | Version Date | 16/07/2007 |
|---------------------|------------|---------------------|-------------------|

Heading **Consent order**

[Back to Individual
Section Format](#)

(1) Where a complaint that section 34(1)(a)(vi), (viii), (ix) or (x) applies to a certified public accountant is referred to the Disciplinary Committee and the Disciplinary Committee, without hearing either the complainant or the certified public accountant, is of the view that the complaint is of such a nature that if the complaint is proved, the appropriate order or orders to be made should fall within one or more of the following orders under section 35-

- (a) an order that the certified public accountant be reprimanded;
 - (b) an order that the certified public accountant pay a penalty not exceeding \$50000 to the Institute;
 - (ba) an order that the certified public accountant pay to the FRC the sum the Disciplinary Committee considers appropriate for the costs and expenses in relation or incidental to an investigation under the Financial Reporting Council Ordinance (Cap 588) reasonably incurred by the FRC;
- (Added 18 of 2006 s. 75)
- (c) an order that the certified public accountant pay the costs and expenses of and incidental to the proceedings, whether of the Institute (including the costs and expenses of the Disciplinary Committee) or of the

complainant,

the Disciplinary Committee may give notice to the complainant and the certified public accountant.

(2) A notice given by the Disciplinary Committee under subsection (1) shall state-

(a) the order or orders, being order or orders no more than those referred to in subsection (1), which the Disciplinary Committee proposes to make if the certified public accountant admits to the complaint; and

(b) the time (being not earlier than 14 days from the date when the notice was given, or such further time as the Disciplinary Committee may allow) within which each of the complainant and the certified public accountant is required to inform the Disciplinary Committee as to whether he will consent to the proposed order or orders.

(3) If the complainant and the certified public accountant consent to the proposed order or orders, the Disciplinary Committee shall make an order or orders in terms of the proposed order or orders and such order and orders shall be deemed to be an order or orders made under section 35, save that sections 38(2) and 41(1)(b)(iii) shall not apply to such order or orders.

(4) If the complainant or the certified public accountant informs the Disciplinary Committee that he does not consent to the proposed order or orders, or if the Disciplinary Committee considers that the consent of either the complainant or the certified public accountant is not forthcoming notwithstanding the notice under subsection (2)(b), the Disciplinary Committee shall inform the Council and the following shall apply-

(a) the Disciplinary Committee shall be dissolved;

(b) the Council shall constitute a new Disciplinary Committee to deal with the complaint with which the dissolved committee was concerned by directing the Disciplinary Committee Convenor to appoint the chairman and other members of the new Disciplinary Committee;

(c) a person who was a member of the dissolved committee shall not be eligible for membership of the new Disciplinary Committee; and

(d) the new Disciplinary Committee shall deal with the complaint afresh without regard to this section and, accordingly, it shall not have any regard to any proceedings of the dissolved committee, including the proposed order or orders of the dissolved committee or any failure or refusal of the complainant or the certified public accountant to consent to the proposed order or orders.

(Added 23 of 2004 s. 38)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 36 | Version Date | 08/09/2004 |
|---------------------|-----------|---------------------|-------------------|

**Powers of Disciplinary Committee
with regard to obtaining evidence
and the conduct of proceedings**

[Back to Individual
Section Format](#)

(1) For the purposes of proceedings under section 35 a Disciplinary Committee shall have the following powers-

- (a) to take evidence on oath;
- (b) to summon any person to attend the proceedings to give evidence or produce any document or other thing in his possession and to examine him as a witness;
- (c) (Repealed 23 of 2004 s. 39)
- (d) to award to a witness such expenses as, in the opinion of a Disciplinary Committee, he has incurred by reason of his attendance.

(1A) Every hearing of the Disciplinary Committee shall be held in public unless the Disciplinary Committee-

- (a) on its own motion; or
- (b) on the application of-
 - (i) the complainant; or
 - (ii) the certified public accountant against whom the complaint is made,

determines that in the interests of justice a hearing or any part thereof shall not be held in public in which case it may hold the hearing or the part thereof (as the case may be) in private. (Added 23 of 2004 s. 39)

(2) A summons to a witness shall be in the prescribed form and shall be signed by the chairman of a Disciplinary Committee.

(Amended 96 of 1994 s. 24)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 37 | Version Date | 08/09/2004 |
|---------------------|-----------|---------------------|-------------------|

Heading **Conduct of proceedings and legal representation** [Back to Individual Section Format](#)

- (1) At the hearing of a complaint-
- (a) the complainant, or his solicitor or counsel, or, with the approval of the Disciplinary Committee, some other person appointed by the complainant to represent him; or
- (b) the Registrar or his solicitor or counsel or some other person appointed by the Registrar to represent him; or
- (c) a member of an Investigation Committee appointed under section 42C, or the solicitor or counsel of such member, or some other person appointed by the Investigation Committee to represent it, (Replaced 96 of 1994 s. 25)

shall present the case against the accountant whose conduct is the subject of proceedings under section 35.

- (2) A certified public accountant whose conduct is the subject of such proceedings shall be entitled to be represented by counsel or a solicitor, or, with the approval of the Disciplinary Committee, by some other person appointed by the certified public accountant to represent him throughout the proceedings. (Amended 23 of 2004 s. 54)
(Amended 96 of 1994 s. 25; 23 of 2004 s. 40)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 38 | Version Date | 08/07/2005 |
|---------------------|-----------|---------------------|-------------------|

Heading **Provisions relating to orders of the Disciplinary Committee** [Back to Individual Section Format](#)

- (1) The Registrar shall cause a copy of any order made under section 35(1) to be served forthwith upon the professional accountant concerned, either personally or by post addressed to his registered address. (Amended 96 of 1994 s. 26)
- (2) The Registrar shall not remove the name of a certified public accountant from the register by virtue of an order made under subsection (1)(a) of section 35, record a reprimand or penalty or an order to pay

costs and expenses or an order in respect of practising certificate in the register by virtue of an order made under subsection (1)(b), (c), (d), (da) or (db) of that section or enforce payment of a penalty or costs or expenses under subsection (1)(c) or (d) of that section before the expiry of 30 days after the date of service of the order on the accountant or, in the case of an appeal made to the Court of Appeal against the order under section 41, before the appeal is finally determined. (Replaced 96 of 1994 s. 26. Amended 23 of 2004 s. 54; 10 of 2005 s. 52)
(Amended 23 of 2004 s. 41)

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|---------------------|---|---|-------------------|
| Section Num: | 39 | Version Date | 08/09/2004 |
| Heading | Restoration of name of certified public accountant to register | Back to Individual Section Format | |

Restoration of name of certified public accountant to register
(Amended 23 of 2004 s. 54)

- (1) A person whose name has been removed from the register under the provisions of this Ordinance may apply to the Council for the restoration of his name to the register.
 - (2) The Council may, after making such inquiry as it may consider necessary, reject an application under subsection (1) or allow it, subject to such conditions if any as it may think fit to impose.
 - (3) The Council shall, if it allows an application under subsection (1), order the Registrar to restore the name of the applicant to the register and thereupon the Registrar shall restore the name accordingly.
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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 40 | Version Date | 08/09/2004 |
|---------------------|-----------|---------------------|-------------------|

Heading **Restriction on removal of name of certified public accountant from register**

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Restriction on removal of name of certified public accountant from register
(Amended 23 of 2004 s. 54)

The name of a certified public accountant shall not be removed from the register by reason of any conviction involving dishonesty if prior to the date of his registration the Council was aware of the conviction.
(Amended 23 of 2004 s. 54)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 41 | Version Date | 08/07/2005 |
|---------------------|-----------|---------------------|-------------------|

Heading **Appeals**

[Back to Individual Section Format](#)

- (1) An appeal shall lie to the Court of Appeal by-
- (a) any person whose application for registration has been rejected by an order under section 26(1);
 - (b) a certified public accountant- (Amended 23 of 2004 s. 54)
 - (i) whose name the Council has ordered under section 27(1)(a)(iii) or (iv) to be removed from the register; (Amended 85 of 1995 s. 18)
 - (ii) whose application under section 30 for a practising certificate is refused; or
 - (iii) who is aggrieved by an order made in respect of him under section 35(1); (Amended 96 of 1994 s. 27; 85 of 1995 s. 18)
 - (c) a corporate practice-
 - (i) whose name the Council has ordered under section 27(1)(b) to be removed from the register;
 - (ii) in respect of which an order is made under section 35(1)(a) or (b), (Added 85 of 1995 s. 18)
- and the Court of Appeal may confirm, vary or reverse the order or decision appealed against.

(2) (Repealed 10 of 2005 s. 47)

(3) In any such appeal the Court of Appeal may exercise such powers as are vested in it by the High Court Ordinance (Cap 4) and the practice and procedure shall be in accordance with rules of court made under that Ordinance: (Amended 25 of 1998 s. 2)

Provided that the Court of Appeal shall not hear any such appeal unless notice of the appeal has been given by the appellant within 30 days after service upon him of-

(a) a copy of an order under section 26(1);

(b) a copy of an order under section 27(1)(a)(iii) or (iv);

(Amended 14 of 1985 s. 12; 85 of 1995 s. 18)

(bb) a copy of an order under section 27(1)(b); (Added 85 of 1995 s. 18)

(c) a copy of a decision under section 30; or

(d) a copy of an order under section 35 (1). (Amended 96 of 1994 s. 27)

(Amended 23 of 2004 s. 42)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 41A | Version Date | 26/11/2004 |
|---------------------|------------|---------------------|-------------------|

Heading [Application of disciplinary provisions to firms](#)

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Sections 33B, 34(1) (other than subparagraphs (i), (ii), (iii), (xi) and (xii) of paragraph (a)), 34(1A) except in so far as it relates to those subparagraphs, 34(1)(b)(iii), 35, 35B, 36(1A), 37, 38, 39, 40 and 41 shall apply mutatis mutandis to a firm of certified public accountants (practising) as they apply to a certified public accountant or, as the case may be, to a corporate practice and so that in any proceedings against a firm of certified public accountants (practising) it shall be sufficient to prove that the act or omission complained of was the act or omission of any of the partners of the firm.

(Added 96 of 1994 s. 28. Amended 85 of 1995 s. 19; 23 of 2004 ss. 43 & 54)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 41B | Version Date | 08/09/2004 |
|---------------------|------------|---------------------|-------------------|

Heading Immunity

[Back to Individual Section Format](#)

(1) The chairman or a member of the Disciplinary Committee performing any function under or pursuant to this Part shall have the same privileges and immunities a judge of the Court of First Instance has in relation to civil proceedings in that court.

(2) A party to any hearing or any witness, counsel, solicitor or person representing a party appearing before a hearing shall have the same privileges or immunities such a party, witness, counsel, solicitor or person representing a party respectively would have had in relation to civil proceedings in the Court of First Instance.

(Added 23 of 2004 s. 44)

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|---------------------|-----------|---------------------|-------------------|
| Section Num: | 42 | Version Date | 08/09/2004 |
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Heading Offences and penalties

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

PART VI

OFFENCES

(1) Subject to this section, any person who-

(a) being summoned to attend as a witness or to produce a document or other thing under section 36(1)(b), refuses or fails to do so or to answer any question put to him by the Disciplinary Committee; (Amended 14 of 1985 s.13)

- (b) fraudulently procures himself or any other person to be registered by means of any misleading, false or fraudulent representation or statement, either oral or in writing;
- (c) makes or causes to be made any falsification in the register or in any matter relating to the register;
- (d) personates or represents himself as being the person referred to in any certificate or document presented to the Council or the Disciplinary Committee;
- (e) falsely pretends to be qualified to practise as a certified public accountant (practising); (Amended 23 of 2004 s. 49)
- (f) falsely takes or uses any name, initials, title, addition or description implying that he is qualified to be registered as a certified public accountant or to practise as a certified public accountant (practising); (Amended 23 of 2004 ss. 49 & 54)
- (g) not being a certified public accountant, either directly or indirectly, practises as a certified public accountant (practising); (Amended 23 of 2004 ss. 49 & 54)
- (h) not being a certified public accountant-
- (i) knowingly permits the use of or uses in connection with his business, trade, calling or profession the description "professional accountant", "certified public accountant" or "certified accountant", or the characters "專業會計師", "會計師" or "註冊會計師", or any written words, initials or abbreviations of words intended to cause, or which may reasonably cause, any person to believe that the person using the same is a certified public accountant; or
- (ii) uses after or in conjunction with his name the initials "CPA"; (Replaced 23 of 2004 s. 49)
- (ha) being a company which is not a corporate practice-
 - (i) provides, offers to provide or holds itself out as providing any professional service which only a person who is a certified public accountant (practising) may lawfully provide; or (Amended 23 of 2004 s. 49)
 - (ii) advertises or represents itself as qualified to practise as a certified public accountant (practising) or permits itself to be so advertised or represented; or (Amended 23 of 2004 s. 49)

(iii) uses in conjunction with its name the description "certified public accountant (practising)" or "public accountant" or uses after or otherwise in conjunction with its name the initials "CPA (practising)" or

"PA" or the characters "執業會計師", "註冊核數師", "核數師" or "審計師", or permits

the

use of or uses such description, initials or characters in connection with its business; (Added 85 of 1995 s. 20. Amended 80 of 1997 s. 108; 23 of 2004 s. 49)

(i) not being a certified public accountant holding a practising certificate or not being a practice unit the firm name of which is registered under section 28A- (Amended 23 of 2004 ss. 49 & 54)

(i) advertises, publishes or represents himself as qualified to practise as a certified public accountant (practising) or knowingly permits himself to be so advertised, published or represented; or

(ii) takes or uses in conjunction with his name, or any name which he may have assumed or by which he may describe himself, the description "certified public accountant (practising)" or "public accountant" or uses after or in conjunction with his name the initials "CPA (practising)" or

"PA" or the characters "執業會計師", "註冊核數師", "核數師" or "審計師", or knowingly

permits the use of or uses such description, initials or characters in connection with his business, trade, calling or profession; (Amended 14 of 1985 s. 13; 85 of 1995 s. 20, 80 of 1997 s. 108; 23 of 2004 s. 49)

(ia) being a certified public accountant who does not hold a practising certificate, carries on a business, trade or profession in a name or style-

(i) otherwise than his own name without any addition as registered under section 22(2); and

(ii) which includes the description "certified public accountant",

the initials "CPA" or the characters "會計師"; (Added 23 of 2004 s. 49)

(j) being a corporate practice, fails to comply with any condition attached to the practice's registration by virtue of section 28D(6)(c) or (9)(c)(i); (Added 85 of 1995 s. 20)

(k) signs a client's audit report which he is not qualified to sign at the time of signing or signs in the manner described in section 28D(11)(b)(iii); (Added 85 of 1995 s. 20)

(l) being a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice, fails to notify the Registrar of a change of location of its registered office as required by section 31(3), (Added 85 of 1995 s. 20. Amended 23 of 2004 s. 49)

shall be guilty of an offence and shall be liable on conviction as follows-

(i) in the case of an individual, to a fine of \$20000 and to imprisonment for 12 months, except where the offence is a failure described in paragraph (l) in which case he shall be liable to a fine of \$5000; and

(ii) in the case of a firm of certified public accountants (practising) or in the case of a company (including a corporate practice) registered or formerly or never registered in the register, to a fine of \$20000 except where the offence is a failure described in paragraph (l) in which case it shall be liable to a fine of \$5000. (Amended 22 of 1977 s. 13; 85 of 1995 s. 20; 23 of 2004 s. 49)

(2) Subsection (1) shall not apply in relation to the use by any member of any body or institute of accountants outside Hong Kong, not being a certified public accountant, of any description or initials which he is entitled to use under the constitution of that body or institute if by such use he does not represent that he is a certified public accountant or is entitled to practise as a certified public accountant (practising). (Amended 23 of 1998 s. 2; 23 of 2004 ss. 49 & 54)

(3) No person shall be required to answer any question or produce any document or other thing which, in the opinion of the Disciplinary Committee, may tend to incriminate him; and a witness shall, in respect of any evidence given by him before the Disciplinary Committee, be entitled to the same privileges to which he would be entitled if he were giving evidence before a court.

(4) (a) Where an offence under this section or section 31(4) has been committed by a corporate practice or other company and it is proved that the act or omission comprising the offence was that of a director or other officer concerned in the management of the practice or other company, the director or other officer shall be guilty of the like offence.

(b) In proceedings for an offence described in paragraph (a) it shall be a defence to satisfy the court that as regards a relevant act or omission the defendant acted in a manner which, having regard to the

particular circumstances, was not unreasonable. (Added 85 of 1995 s. 20)

(5) A person to whom a permission for the purposes of section 28D relates shall not be guilty of an offence under subsection (l)(h) or (i) by reason only of holding himself out as being a director of a corporate practice. (Added 85 of 1995 s. 20)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 42A | Version Date | 08/09/2004 |
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[Heading](#) [Interpretation](#)

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

PART VA

INVESTIGATIONS INTO MISCONDUCT OF
CERTIFIED PUBLIC ACCOUNTANTS
(Amended 23 of 2004 s. 54)

In this Part, unless the context otherwise requires-

"chairman" (主席) means the chairman of an Investigation Committee.

(Part VA added 96 of 1994 s. 29)

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|--------------|-----|--------------|------------|
| Section Num: | 42B | Version Date | 26/11/2004 |
|--------------|-----|--------------|------------|

Heading Investigation Panels

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

(1) There shall be 2 Investigation Panels-

(a) Investigation Panel A shall consist of not less than 18 lay persons appointed by the Chief Executive of whom one shall be appointed by the Chief Executive to be the Investigation Committee Convenor and another to be his alternate;

(b) Investigation Panel B shall consist of not less than 12 certified public accountants appointed by the Council of whom not less than 6 shall be holders of practising certificates. (Replaced 23 of 2004 s. 45)

(1A) The Investigation Committee Convenor shall not be appointed for a term exceeding 1 year but shall be eligible for reappointment for a further term or terms of not exceeding 1 year each. (Added 23 of 2004 s. 45)

(1B) The alternate of the Investigation Committee Convenor shall act in place of the Investigation Committee Convenor if the Investigation Committee Convenor is precluded by illness, absence from Hong Kong or any other cause from performing his functions as such. (Added 23 of 2004 s. 45)

(2) A person who is a member of the Council or is for the time being appointed under section 33 shall be disqualified for membership of any of the Investigation Panels and, accordingly, if a member of any of the Investigation Panels either becomes a member of the Council or is so appointed his membership of any of the Investigation Panels shall thereupon cease. (Amended 23 of 2004 s. 45)
(Part VA added 96 of 1994 s. 29)

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|---------------------|------------|---------------------|-------------------|
| Section Num: | 42C | Version Date | 26/11/2004 |
|---------------------|------------|---------------------|-------------------|

Heading **Appointment of Investigation Committee**

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

(1) Where pursuant to a direction under subsection (2) an Investigation Committee informs the Council that in its opinion there is a prima facie case against the certified public accountant, the firm of certified public accountants (practising) or corporate practice, the Council may in its discretion refer the matter to the Disciplinary Panels and constitute a Disciplinary Committee pursuant to section 33(3) and the Disciplinary Committee concerned shall deal with it as if it were a complaint referred to the Disciplinary Panels under section 34(1) and for that purpose the matter shall be deemed to be a complaint made to the Registrar by the Investigation Committee.

(2) (a) Where the Council reasonably suspects or believes that-

(i) a certified public accountant has acted in a manner described in section 34(1)(a)(iii), (xi) or (xii); (Amended 80 of 1997 s. 102)

(ii) subparagraph (iv), (v), (vi), (vii), (viii), (ix) or (x) of section 34(1)(a) applies to a certified public accountant or a firm of certified public accountants (practising), (Amended 80 of 1997 s. 102)

(iii) section 34(1)(a) or (b), as applied by section 34(1AA), applies to a corporate practice, (Added 23 of 2004 s. 46)

the Council may, in its discretion, constitute an Investigation Committee and direct the Committee, having considered the matter, to inform the Council as to whether in its opinion, were a complaint made against him or it, the certified public accountant or firm or corporate practice concerned would have a case to answer.

(b) The following provisions shall apply as regards an Investigation Committee-

- (i) the Council shall direct the Investigation Committee Convenor to appoint the chairman and other members of the Investigation Committee and the Investigation Committee Convenor shall act in accordance with the direction; (Replaced 23 of 2004 s. 46)
- (ii) the Investigation Committee shall consist of the following 5 members-
- (A) a person appointed by the Investigation Committee Convenor from Investigation Panel A who shall be the chairman of the Investigation Committee;
- (B) 2 persons appointed by the Investigation Committee Convenor from Investigation Panel A; and
- (C) 2 persons appointed by the Investigation Committee Convenor from Investigation Panel B of whom one shall be the holder of a practising certificate; (Replaced 23 of 2004 s. 46)
- (iii) the Investigation Committee Convenor shall not be appointed as a member of an Investigation Committee. (Replaced 23 of 2004 s. 46)
(Part VA added 96 of 1994 s. 29. Amended 23 of 2004 ss. 46 & 54)

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|--------------|------|--------------|------------|
| Section Num: | 42CA | Version Date | 16/07/2007 |
|--------------|------|--------------|------------|

Heading Referral of matter to FRC

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

- (1) Where it appears to the Council that there are circumstances suggesting—
- (a) that—
- (i) a certified public accountant has acted in a manner described in section 34(1)(a)(iii), (xi) or (xii);
- (ii) section 34(1)(a)(iv), (vi), (viii), (ix) or (x) applies to a certified public accountant or a firm of certified public accountants (practising); or

- (iii) section 34(1)(a) (as applied by section 34(1AA)) or (b) applies to a corporate practice; and
- (b) that the matter constitutes a relevant irregularity in relation to a listed entity for the purposes of the Financial Reporting Council Ordinance (Cap 588),
- the Council shall refer the matter to the FRC and shall not, even if it may do so under section 42C(2)(a), constitute an Investigation Committee in relation to the matter.
- (2) For the avoidance of doubt, subsection (1) does not apply if a complaint of the matter is submitted to the Council, or the matter otherwise comes to the Council's attention, before the commencement of section 76 of the Financial Reporting Council Ordinance (Cap 588).
(Added 18 of 2006 s. 76)

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|---------------------|---|--|-------------------|
| Section Num: | 42D | Version Date | 08/09/2004 |
| Heading | Powers of Investigation Committee as regards its proceedings | Back to Individual Section Format | |

Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

- (1) The following provisions shall apply as regards the proceedings of an Investigation Committee-
- (a) any person to whom this paragraph applies, and whom the relevant Investigation Committee reasonably believes to have in his possession or under his control any record or other document which appears to that Committee as containing or being likely to contain information relevant to the proceedings of the Committee, shall subject to subsection (5)-
- (i) produce to the Committee or afford to the Committee access to, any record or other document specified by the Committee which is of a class or description so specified and which is in his possession or under his control being in either case a record or other document which is or

appears to the Committee to be relevant to the proceedings, within such time and at such place as the Committee may reasonably require;

(ii) if so required by the Committee, give to it or him such explanation or further particulars in respect of anything produced or to which access is given in compliance a requirement under subparagraph (i) as the Committee shall specify;

(iii) give to the Committee all assistance in connection with its proceedings which he is reasonably able to give;

(b) where any information or matter relevant to the proceedings of an Investigation Committee is recorded otherwise than in legible form, any power to require the production of any record or other document conferred under paragraph (a), shall include the power to require the production of a reproduction of any such information or matter or of the relevant part of it in legible form;

(c) an Investigation Committee may inspect, examine or make copies of or take any abstract of or extract from a record or document which may be required to be produced under paragraph (a) or (b);

(d) where-

(i) a copy of any record or document is supplied by any person for the purposes of this section;

(ii) a copy of any record or document is made in the exercise of any power conferred under this section and a photocopying machine or other facility of a person is used to make such copy,

the Institute shall reimburse the person concerned the reasonable photocopying or other expenses incurred in making such copy; (Amended 23 of 2004 s. 54)

(e) a person exercising any power under this section by virtue of a delegation under section 42E shall, if so required by a person affected by such exercise, produce for inspection by such person the relevant instrument referred to in section 42E or a copy thereof.

(2) Subsection (1)(a) applies-

(a) to the certified public accountant, firm of certified public accountants (practising) or corporate practice to whom the Investigation Committee's proceedings relate and-

(i) where the proceedings relate to a certified public accountant, also to that accountant's employer and former employer (if any) and to any employee or former employee of such accountant; and

- (ii) where the proceedings relate to a firm of certified public accountants (practising) or corporate practice, also to any employee or former employee of such firm or corporate practice; and
- (b) to any certified public accountant, firm of certified public accountants (practising) or corporate practice other than those specified in paragraph (a), and any employee or former employee of such accountant, firm or corporate practice who is a certified public accountant or a student registered with the Institute. (Replaced 23 of 2004 s. 47)
- (3) A person who complies with a requirement of an Investigation Committee which is made by virtue of subsection (1) shall not incur any liability to any other person by reason only of the compliance.
- (4) A person is not excused from complying with a requirement of an Investigation Committee under subsection (1) on the ground that to do so might tend to incriminate him but, where that person claims, before he answers a question put to him under subsection (1)(a)(ii), that the answer might tend to incriminate him, neither the question nor the answer is admissible in evidence against him in criminal proceedings.
- (5) Nothing in this section shall be taken to compel the production by a person of a record or document containing a privileged communication by or to a legal practitioner in that capacity.
- (Part VA added 96 of 1994 s. 29)

| | | | |
|---------------------|--|--|-------------------|
| Section Num: | 42E | Version Date | 30/06/1997 |
| Heading | Delegation of powers of Investigation Committee | Back to Individual Section Format | |

Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

- (1) An Investigation Committee may, by instrument in writing signed by its chairman, delegate to any person holding such qualifications as the Council may from time to time prescribe all or any of the powers conferred on it by section 42D.

(1) Subject to subsection (2), and except in the performance, or assisting in the performance, of a function under this Part, the Registrar, any member of the Investigation Committee or the Council, any person to whom any of the powers of the Investigation Committee is delegated under section 42E(1) or any person holding any other position who assists any of such persons in the performance of a function under this Part-

(a) shall at all times after his appointment as the Registrar, a member of the Investigation Committee or the Council, a person to whom any of the powers of the Investigation Committee is delegated under section 42E(1) or to such other position, as the case may be, or during or after the performance of or assisting in the performance of such function, preserve and aid in preserving secrecy with regard to any matter coming to his knowledge in the performance or in assisting in the performance of any such function;

(b) shall not at any time communicate any such matter to any other person; and

(c) shall not at any such time suffer or permit any other person to have any access to any record, document or other thing which is in his possession or under his control by virtue of his being or having been so appointed or his having performed or having assisted any other person in the performance of such a function.

(2) Subsection (1) shall not apply in relation to- (Amended 18 of 2006 s. 77)

(a) any disclosure made in relation to or for the purpose of any disciplinary proceedings under Part V or criminal proceedings; or

(b) any disclosure to the FRC for the purpose of enabling or assisting the FRC to perform its functions under the Financial Reporting Council Ordinance (Cap 588). (Amended 18 of 2006 s. 77)

(3) Any person who contravenes subsection (1) commits an offence and is liable on conviction to a fine at level 6 and to imprisonment for 6 months.

(Part VA added 96 of 1994 s. 29)

| | | | |
|--------------|-----|--------------|------------|
| Section Num: | 42H | Version Date | 08/09/2004 |
|--------------|-----|--------------|------------|

Heading Immunity

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Remarks

Due to technical constraints, sections 42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G and 42H of this Ordinance are placed after section 42 in the BLIS system. The correct sequence of the sections should be "42A, 42B, 42C, 42CA, 42D, 42E, 42F, 42G 42H, 42".

No liability shall be incurred by any person in respect of anything done or omitted to be done by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Part.

(Added 23 of 2004 s. 48)

(Part VA added 96 of 1994 s. 29)

| | | | |
|--------------|----|--------------|------------|
| Section Num: | 43 | Version Date | 08/09/2004 |
|--------------|----|--------------|------------|

Heading (Repealed 23 of 2004 s. 50)

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PART VII

MISCELLANEOUS

(Repealed 23 of 2004 s. 50)

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 44 | Version Date | 30/06/1997 |
|---------------------|----|---------------------|------------|

Heading Ordinance not to apply to public officers in connexion with their duties

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This Ordinance shall not apply to the Director of Audit or to any other public officer in connexion with his duties as such.

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 45 | Version Date | 08/09/2004 |
|---------------------|----|---------------------|------------|

Heading Fees and expenses

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Subject to the provisions of this Ordinance, no person shall be entitled to recover any fees, remuneration or expenses for or in respect of any appointment held or services rendered by him as a certified public accountant (practising) unless he is a certified public accountant holding a practising certificate or a corporate practice.

(Amended 85 of 1995 s. 22; 23 of 2004 ss. 51 & 54)

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 46 | Version Date | 01/07/1997 |
|---------------------|----|---------------------|------------|

Heading Fees payable to Registrar of Companies

[Back to Individual Section Format](#)

Remarks

Adaptation amendments retroactively made - see 31 of 1999 s. 3

There shall be paid to the Registrar of Companies for the registration of any document required by this Ordinance to be registered or to be delivered, sent or forwarded to the Registrar of Companies such fees as the Chief Executive may prescribe by notice in the Gazette.

(Amended 8 of 1993 s. 4; 31 of 1999 s. 3)

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 47 | Version Date | 30/06/1997 |
|---------------------|----|---------------------|------------|

Heading (Repealed 96 of 1994 s. 30)

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|---------------------|----|---------------------|------------|
| Section Num: | 48 | Version Date | 08/09/2004 |
|---------------------|----|---------------------|------------|

Heading Omission to give notice of meetings

[Back to Individual Section Format](#)

The omission to give notice of any meeting of the Council or any general meeting of the Institute, or the failure by a member of the Council or a certified public accountant to receive such a notice shall not invalidate the proceedings at the meeting or any resolution passed thereat.

(Amended 23 of 2004 s. 54)

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 49 | Version Date | 08/09/2004 |
|---------------------|----|---------------------|------------|

Heading Resignation from the Institute

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Resignation from the Institute

(Amended 23 of 2004 s. 54)

- (1) A certified public accountant may, by notice in writing under his hand, tender to the Council his resignation from the Institute.
- (2) The resignation shall take effect upon the deletion from the register, with the approval of the Council, of the certified public accountant's name.
- (3) The Council may refuse to accept the resignation of a certified public accountant if- (Amended 23 of 2004 s. 54)

- (a) it has reason to believe that such accountant has been guilty of conduct, or that circumstances exist, which could justify the removal of his name from the register under section 35(1)(a);
- (b) it is aware that a complaint concerning such accountant has been preferred and is before the Council or the Disciplinary Committee; or
- (c) the certified public accountant is indebted to the Institute.
- (Amended 23 of 2004 s. 54)

| | | | |
|---------------------|-----------|---------------------|-------------------|
| Section Num: | 50 | Version Date | 30/06/1997 |
|---------------------|-----------|---------------------|-------------------|

Heading **Application of a corporate practice for removal from the register** [Back to Individual Section Format](#)

- (1) A corporate practice may apply in writing to the Council to be removed from the register.
- (2) The provisions of section 49(2) and (3) shall apply mutatis mutandis to an application under this section.
- (Added 85 of 1995 s. 23)

| | | | |
|---------------------|-----------|---------------------|-------------------|
| Section Num: | 51 | Version Date | 08/09/2004 |
|---------------------|-----------|---------------------|-------------------|

Heading **Power of Council to make rules** [Back to Individual Section Format](#)

- (1) The Council may make rules-
- (a) specifying provisions to be included in the memorandum or articles of association of companies applying for registration under section 28E or registered in the register;
- (b) specifying all or any of the terms on which insurance policies to which this section applies are to be provided including terms as to run-offs;
- (c) specifying the following amounts in Hong Kong dollars, namely, the minimum cover as regards any particular claim by way of professional indemnity on foot of insurance policies to which this section applies and the minimum aggregate cover provided as regards a specified period by way of such indemnity;

- (d) specifying 1 or more formulae or a scheme by the use of or by reference to which an amount, being such minimum cover or minimum aggregate cover, is to be calculated or otherwise ascertained;
- (e) enabling professional indemnity insurance to be effected by means of a policy covering all or any 1 or more of the following-
 - (i) every certified public accountant for the time being; (Amended 23 of 2004 s. 54)
 - (ii) every firm for the time being of certified public accountants (practising); (Amended 23 of 2004 s. 52)
 - (iii) (Repealed 23 of 2004 s. 52)
 - (v) all such accountants, firms or practices as are of a class or description specified in the rules;
 - (f) regulating the conduct of inquiries by the Disciplinary Committee and for other matters relating to such inquiries including re-hearings in specified circumstances; and
 - (g) providing for matters incidental or supplementary to any matter mentioned in the foregoing paragraphs.
- (2) Rules under this section may also relate to all companies described in subsection (1)(a) or all insurance policies to which this section applies or to such companies or policies as are of a class or description specified in the rules.
- (3) This section applies to insurance policies of professional indemnity insurance which are, or are proposed to be, effected, whether wholly or partly, for the purposes of section 28D.
- (4) For the avoidance of doubt, it is hereby declared that section 34 of the Interpretation and General Clauses Ordinance (Cap 1) does not apply to rules made under this section. (Added 23 of 2004 s. 52)
(Added 85 of 1995 s. 23)

| | | | |
|---------------------|----|---------------------|------------|
| Section Num: | 52 | Version Date | 08/09/2004 |
|---------------------|----|---------------------|------------|

Heading Council may delegate

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- (1) The Council may delegate to any person or to a committee of the Council any of the powers or duties granted to or imposed on the Council under this Ordinance, other than the power to make rules under section 51.

(2) Where the Council makes a delegation under subsection (1) it may at the same time authorize the person or committee to whom the delegation is made to sub-delegate the power delegated and such authorization may contain restrictions or conditions as regards the exercise of the power to sub-delegate under the authorization.

(Added 23 of 2004 s. 53)

| | | | |
|---------------------|--|---|-------------------|
| Section Num: | 53 | Version Date | 08/09/2004 |
| Heading | Immunity for the members of the Council, etc. | Back to Individual Section Format | |

No personal liability shall be incurred by any of the members of the Council, the Registrar or any officer or employee of the Institute or any person to whom any powers or duties of the Council is delegated in respect of any act done or any omission made by him in good faith in the performance or exercise or purported performance or exercise of any function or power under this Ordinance.

(Added 23 of 2004 s. 53)

| | | | |
|----------------------|---|---|-------------------|
| Schedule Num: | | Version Date | 30/06/1997 |
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(Updated to October 2007)

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Glossary
Issued October 2007

Effective upon issue

Glossary of Terms Relating to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

**GLOSSARY OF TERMS RELATING TO HONG KONG STANDARDS ON
QUALITY CONTROL, AUDITING, ASSURANCE
AND RELATED SERVICES¹**

(Effective upon issue)

Access controls—Procedures designed to restrict access to on-line terminal devices, programs and data. Access controls consist of “user authentication” and “user authorization.” “User authentication” typically attempts to identify a user through unique logon identifications, passwords, access cards or biometric data. “User authorization” consists of access rules to determine the computer resources each user may access. Specifically, such procedures are designed to prevent or detect:

- (a) Unauthorized access to on-line terminal devices, programs and data;
- (b) Entry of unauthorized transactions;
- (c) Unauthorized changes to data files;
- (d) The use of computer programs by unauthorized personnel; and
- (e) The use of computer programs that have not been authorized.

Accounting estimate—An approximation of the amount of an item in the absence of a precise means of measurement.

Accounting records—Generally include the records of initial entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers; journal entries and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

Adverse opinion—(see Modified auditor’s report)

Agreed-upon procedures engagement—An engagement in which an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures may misinterpret the results.

Analytical procedures—Evaluations of financial information made by a study of plausible relationships among both financial and non-financial data. Analytical procedures also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information or deviate significantly from predicted amounts.

Annual report—A document issued by an entity, ordinarily on an annual basis, which includes its financial statements together with the auditor’s report thereon.

Anomalous error—(see Audit sampling)

¹ In the case of public sector engagements, the terms in this glossary should be read as referring to their public sector equivalents.

Applicable financial reporting framework—The financial reporting framework adopted by management in preparing the financial statements that the auditor has determined is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulations.

Application controls in information technology— Manual or automated procedures that typically operate at a business process level. Application controls can be preventative or detective in nature and are designed to ensure the integrity of the accounting records. Accordingly, application controls relate to procedures used to initiate, record, process and report transactions or other financial data.

Appropriateness—The measure of the quality of evidence, that is, its relevance and reliability in providing support for, or detecting misstatements in, the classes of transactions, account balances, and disclosures and related assertions.

Assertions—Representations by management, explicit or otherwise, that are embodied in the financial statements.

Assess—Analyze identified risks of to conclude on their significance. “Assess,” by convention, is used only in relation to risk. (also see Evaluate)

Assistants—Personnel involved in an individual audit other than the auditor.

Association—(see Auditor association with financial information)

Assurance—(see Reasonable assurance)

Assurance engagement—An engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria (also see Subject matter information). Under the “Hong Kong Framework for Assurance Engagements” there are two types of assurance engagement a practitioner is permitted to perform: a reasonable assurance engagement and a limited assurance engagement.

Reasonable assurance engagement—The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion.

Limited assurance engagement—The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner’s conclusion.

Assurance engagement risk—The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated.

Attendance—Being present during all or part of a process being performed by others; for example, attending physical inventory taking will enable the auditor to inspect inventory, to observe compliance of management’s procedures to count quantities and record such counts and to test-count quantities.

Audit documentation—The record of audit procedures performed,² relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).

² Audit procedures performed include audit planning, as addressed in HKSA 300 “Planning an Audit of Financial Statements.”

Audit evidence—All of the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.

Audit firm—(see Firm)

Audit matters of governance interest—Those matters that arise from the audit of financial statements and, in the opinion of the auditor, are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. Audit matters of governance interest include only those matters that have come to the attention of the auditor as a result of the performance of the audit.

Audit of financial statements—The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. An audit of financial statements is an assurance engagement (see Assurance engagement).

Audit opinion—(see Opinion)

Audit risk—Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risk of material misstatement (or simply, the “risk of material misstatement”) (i.e., the risk that the financial statements are materially misstated prior to audit) and the risk that the auditor will not detect such misstatement (“detection risk”). The risk of material misstatement has two components: inherent risk and control risk (as described at the assertion level below). Detection risk is the risk that the auditor’s procedures will not detect a misstatement that exists in an assertion that could be material, individually or when aggregated with other misstatements.

Inherent risk—Inherent risk is the susceptibility of an assertion to a misstatement, that could be material, individually or when aggregated with other misstatements assuming that there were no related internal controls.

Control risk—Control risk is the risk that a misstatement that could occur in an assertion and that could be material, individually or when aggregated with other misstatements, will not be prevented or detected and corrected on a timely basis by the entity’s internal control.

Audit sampling—The application of audit procedures to less than 100% of items within an account balance or class of transactions such that all sampling units have a chance of selection. This will enable the auditor to obtain and evaluate audit evidence about some characteristic of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn. Audit sampling can use either a statistical or a non-statistical approach.

Anomalous error—An error that arises from an isolated event that has not recurred other than on specifically identifiable occasions and is therefore not representative of errors in the population.

Confidence levels—The mathematical complements of sampling risk.

Expected error—The error that the auditor expects to be present in the population.

Non-sampling risk—Arises from factors that cause the auditor to reach an erroneous conclusion for any reason not related to the size of the sample. For example, most audit evidence is persuasive rather than conclusive, the auditor might use inappropriate procedures, or the auditor might misinterpret evidence and fail to recognize an error.

Non-statistical sampling—Any sampling approach that does not have the characteristics of statistical sampling.

Population—The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions. A population may be divided into strata, or sub-populations, with each stratum being examined separately. The term population is used to include the term stratum.

Sampling risk—Arises from the possibility that the auditor's conclusion, based on a sample may be different from the conclusion reached if the entire population were subjected to the same audit procedure.

Sampling unit—The individual items constituting a population, for example checks listed on deposit slips, credit entries on bank statements, sales invoices or debtors' balances, or a monetary unit.

Statistical sampling—Any approach to sampling that has the following characteristics:

- (a) Random selection of a sample; and
- (b) Use of probability theory to evaluate sample results, including measurement of sampling risk.

Stratification—The process of dividing a population into subpopulations, each of which is a group of sampling units which have similar characteristics (often monetary value).

Tolerable error—The maximum error in a population that the auditor is willing to accept.

Total error—Either the rate of deviation or total misstatement.

Auditor—The engagement partner. The term "auditor" is used to describe either the engagement partner or the audit firm. Where it applies to the engagement partner, it describes the obligations or responsibilities of the engagement partner. Such obligations or responsibilities may be fulfilled by either the engagement partner or a member of the audit team. Where it is expressly intended that the obligation or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "auditor" is used. (The term "auditor" may be used when describing related services and assurance engagements other than audits. Such reference is not intended to imply that a person performing a related service or assurance engagement other than an audit need necessarily be the auditor of the entity's financial statements.)

Existing auditor—The auditor of the financial statements of the current period.

External auditor—Where appropriate the term "external auditor" is used to distinguish the external auditor from an internal auditor.

Incoming auditor—The auditor of the financial statements of the current period, where either the financial statements of the prior period have been audited by another auditor (in this case the incoming auditor also known as a successor auditor), or the audit is an initial audit engagement.

Internal auditor—A person performing an internal audit.

Other auditor—An auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component, which is included in the financial statements audited by the principal auditor. Other auditors include affiliated firms, whether using the same name or not, and correspondents, as well as unrelated auditors.

Predecessor auditor—The auditor who was previously the auditor of an entity and who has been replaced by an incoming auditor.

Principal auditor—The auditor with responsibility for reporting on the financial statements of an entity when those financial statements include financial information of one or more components audited by another auditor.

Proposed auditor—An auditor who is asked to replace an existing auditor.

Successor auditor—An auditor replacing an existing auditor (also known as an incoming auditor).

Auditor association with financial information—An auditor is associated with financial information when the auditor attaches a report to that information or consents to the use of the auditor's name in a professional connection.

Comparatives—Comparatives in financial statements, may present amounts (such as financial position, results of operations, cash flows) and appropriate disclosures of an entity for more than one period, depending on the framework. The frameworks and methods of presentation are as follows:

- (a) Corresponding figures where amounts and other disclosures for the preceding period are included as part of the current period financial statements, and are intended to be read in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). These corresponding figures are not presented as complete financial statements capable of standing alone, but are an integral part of the current period financial statements intended to be read only in relationship to the current period figures.
- (b) Comparative financial statements where amounts and other disclosures for the preceding period are included for comparison with the financial statements of the current period, but do not form part of the current period financial statements.

Comparative financial statements—(see Comparatives)

Compilation engagement—An engagement in which accounting expertise, as opposed to auditing expertise, is used to collect, classify and summarize financial information.

Component—A division, branch, subsidiary, joint venture, associated company or other entity whose financial information is included in financial statements audited by the principal auditor.

Component of a complete set of financial statements—The applicable financial reporting framework adopted in preparing the financial statements determines what constitutes a complete set of financial statements. Components of a complete set of financial statements include: a single financial statement, specified accounts, elements of accounts or items in a financial statement.

Comprehensive basis of accounting—A comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support.

Computer-assisted audit techniques—Applications of auditing procedures using the computer as an audit tool (also known as CAATs).

Computer information systems (CIS) environment—Exists when a computer of any type or size is involved in the processing by the entity of financial information of significance to the audit, whether that computer is operated by the entity or by a third party.

Confidence levels—(see Audit sampling)

Confirmation—A specific type of inquiry that is the process of obtaining a representation of information or of an existing condition directly from a third party.

Continuing auditor—(see Auditor)

Control activities—Those policies and procedures that help ensure that management directives are carried out. Control activities are a component of internal control.

Control environment—Includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is a component of internal control.

Control risk—(see Audit risk)

Corporate governance—(see Governance)

Corresponding figures—(see Comparatives)

Criteria—The benchmarks used to evaluate or measure the subject matter including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal or less formal. There can be different criteria for the same subject matter. Suitable criteria are required for reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment.

Suitable criteria—Exhibit the following characteristics:

- (a) **Relevance:** relevant criteria contribute to conclusions that assist decision-making by the intended users.
- (b) **Completeness:** criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
- (c) **Reliability:** reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners.
- (d) **Neutrality:** neutral criteria contribute to conclusions that are free from bias.
- (e) **Understandability:** understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.

Current period figures—Amounts and other disclosures relating to the current period.

Database—A collection of data that is shared and used by a number of different users for different purposes.

Date of the financial statements—The date of the end of the latest period covered by the financial statements, which is normally the date of the most recent balance sheet in the financial statements subject to audit.

Date of approval of the financial statements—The date on which those with the recognized authority assert that they have prepared the entity's complete set of financial statements, including the related notes, and that they have taken responsibility for them. In some jurisdictions, the law or regulation identifies the individuals or bodies (for example, the directors) that are responsible for concluding that a complete set of financial statements has been prepared, and specifies the necessary approval process. In other jurisdictions, the approval process is not prescribed in law or regulation and the entity follows its own procedures in preparing and finalizing its financial statements in view of its management and governance structures. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that

sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of the HKSA is the earlier date on which those with the recognized authority determine that a complete set of financial statements has been prepared.

Date of the auditor's report—The date selected by the auditor to date the report on the financial statements. The auditor's report is not dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial statements.³ Sufficient appropriate audit evidence includes evidence that the entity's complete set of financial statements has been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.

Date the financial statements are issued—The date that the auditor's report and audited financial statements are made available to third parties, which may be, in many circumstances, the date that they are filed with a regulatory authority.

Detection risk—(see Audit risk)

Disclaimer of opinion—(see Modified auditor's report)

Electronic Data Interchange (EDI)—The electronic transmission of documents between organizations in a machine-readable form.

Emphasis of matter paragraph(s)—(see Modified auditor's report)

Employee fraud—Fraud involving only employees of the entity subject to the audit.

Encryption (cryptography)—The process of transforming programs and information into a form that cannot be understood without access to specific decoding algorithms (cryptographic keys). For example, the confidential personal data in a payroll system may be encrypted against unauthorized disclosure or modification. Encryption can provide an effective control for protecting confidential or sensitive programs and information from unauthorized access or modification. However, effective security depends upon proper controls over access to the cryptographic keys.

Engagement documentation—The record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "workpapers" are sometimes used). The documentation for a specific engagement is assembled in an engagement file.

Engagement partner—The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement letter—An engagement letter documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the client and the form of any reports.

Engagement quality control review—A process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.

Engagement quality control reviewer—A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report.

³ In rare circumstances, law or regulation also identifies the point in the financial statement reporting process at which the audit is expected to be complete.

Engagement team—All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.

Entity's risk assessment process—A component of internal control that is the entity's process for identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks, and the results thereof.

Environmental matters—

- (a) Initiatives to prevent, abate, or remedy damage to the environment, or to deal with conservation of renewable and non-renewable resources (such initiatives may be required by environmental laws and regulations or by contract, or they may be undertaken voluntarily);
- (b) Consequences of violating environmental laws and regulations;
- (c) Consequences of environmental damage done to others or to natural resources; and
- (d) Consequences of vicarious liability imposed by law (for example, liability for damages caused by previous owners).

Environmental performance report—A report, separate from the financial statements, in which an entity provides third parties with qualitative information on the entity's commitments towards the environmental aspects of the business, its policies and targets in that field, its achievement in managing the relationship between its business processes and environmental risk, and quantitative information on its environmental performance.

Environmental risk—In certain circumstances, factors relevant to the assessment of inherent risk for the development of the overall audit plan may include the risk of material misstatement of the financial statements due to environmental matters.

Error—An unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Evaluate—Identify and analyze the relevant issues, including performing further procedures as necessary, to come to a specific conclusion on a matter. "Evaluation," by convention, is used only in relation to a range of matters, including evidence, the results of procedures and the effectiveness of management's response to a risk. (also see Assess)

Existing auditor—(see Auditor)

Expected error— (see Audit sampling)

Experienced auditor—An individual (whether internal or external to the firm) who has a reasonable understanding of (a) audit processes, (b) HKSA's and applicable legal and regulatory requirements, (c) the business environment in which the entity operates, and (d) auditing and financial reporting issues relevant to the entity's industry.

Expert—A person or firm possessing special skill, knowledge and experience in a particular field other than accounting and auditing.

External audit—An audit performed by an external auditor.

External auditor—(see Auditor)

External confirmation—The process of obtaining and evaluating audit evidence through a direct communication from a third party in response to a request for information about a particular item affecting assertions made by management in the financial statements.

Fair value—The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial statements—A structured representation of the financial information, which ordinarily includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term can refer to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.

Firewall—A combination of hardware and software that protects a WAN, LAN or PC from unauthorized access through the Internet and from the introduction of unauthorized or harmful software, data or other material in electronic form.

Firm—A sole practitioner, partnership or corporation or other entity of professional accountants.

Forecast—Prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions management expects to take as of the date the information is prepared (best-estimate assumptions).

Fraud—An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. Two types of intentional misstatement are relevant to the auditor: misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets (also see Fraudulent financial reporting and Misappropriation of assets).

Fraudulent financial reporting—Involves intentional misstatements, including omissions of amounts or disclosures in financial statements, to deceive financial statement users.

General IT-controls—Policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General IT-controls commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

General purpose financial statements—Financial statements prepared in accordance with a financial reporting framework that is designed to meet the common information needs of a wide range of users.

Going concern assumption—Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Governance—Describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. Those charged with governance include management only when it performs such functions.

Government business enterprises—Businesses that operate within the public sector ordinarily to meet a political or social interest objective. They are ordinarily required to operate commercially, that is, to make profits or to recoup, through user charges a substantial proportion of their operating costs.

Incoming auditor—(see Auditor)

*Independence*⁴—Comprises:

- (a) Independence of mind—the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance—the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

Information system relevant to financial reporting—A component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

Inherent risk—(see Audit risk)

Initial audit engagement—An audit engagement in which either the financial statements are audited for the first time; or the financial statements for the prior period were audited by another auditor.

Inquiry—Inquiry consists of seeking information of knowledgeable persons, both financial and non-financial, throughout the entity or outside the entity.

Inspection (as an audit procedure)—Examining records or documents, whether internal or external, or tangible assets.

Inspection (in relation to completed engagements)—Procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures;

Intended users—The person, persons or class of persons for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.

Interim financial information or statements—Financial information (which may be less than a complete set of financial statements as defined above) issued at interim dates (usually half-yearly or quarterly) in respect of a financial period.

Internal auditing—An appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control.

Internal auditor—(see Auditor)

Internal control—The process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal control consists of the following components:

- (a) The control environment;
- (b) The entity's risk assessment process;
- (c) The information system, including the related business processes, relevant to financial reporting, and communication;

⁴ As defined in the HKICPA *Code of Ethics for Professional Accountants*.

- (d) Control activities; and
- (e) Monitoring of controls.

Investigate—Inquire into matters arising from other procedures to resolve them.

IT environment—The policies and procedures that the entity implements and the IT infrastructure (hardware, operating systems, etc.) and application software that it uses to support business operations and achieve business strategies.

Limited assurance engagement—(see Assurance engagement)

Limitation on scope—A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary). A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed desirable.

*Listed entity*⁵—An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

Local Area Network (LAN)—A communications network that serves users within a confined geographical area. LANs were developed to facilitate the exchange and sharing of resources within an organization, including data, software, storage, printers and telecommunications equipment. They allow for decentralized computing. The basic components of a LAN are transmission media and software, user terminals and shared peripherals.

Management—Comprises officers and others who also perform senior managerial functions. Management includes those charged with governance only in those instances when they perform such functions.

Management fraud—Fraud involving one or more members of management or those charged with governance.

Management representations—Representations made by management to the auditor during the course of an audit, either unsolicited or in response to specific inquiries.

Material inconsistency—Exists when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Material misstatement of fact—Exists in other information when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.

Material weakness—A weakness in internal control that could have a material effect on the financial statements.

Materiality—Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cutoff point rather than being a primary qualitative characteristic which information must have if it is to be useful.

⁵ As defined in the HKICPA *Code of Ethics for Professional Accountants*.

Misappropriation of assets—Involves the theft of an entity's assets and is often perpetrated by employees in relatively small and immaterial amounts. However, it can also involve management who are usually more capable of disguising or concealing misappropriations in ways that are difficult to detect.

Misstatement—A misstatement of the financial statements that can arise from fraud or error (also see Fraud and Error).

Modified auditor's report—An auditor's report is considered to be modified if either an emphasis of matter paragraph(s) is added to the report or if the opinion is other than unqualified:

Matters that Do Not Affect the Auditor's Opinion

Emphasis of matter paragraph(s)—An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements.

Matters that Do Affect the Auditor's Opinion

Qualified opinion—A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

Disclaimer of opinion—A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

Adverse opinion—An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Monitoring (in relation to quality control)—A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively.

Monitoring of controls—A process to assess the effectiveness of internal control performance over time. It includes assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions. Monitoring of controls is a component of internal control.

National practices (auditing)—A set of guidelines not having the authority of standards defined by an authoritative body at a national level and commonly applied by auditors in the conduct of an audit, review, other assurance or related services.

National standards (auditing)—A set of standards defined by law or regulations or an authoritative body at a national level, the application of which is mandatory in conducting an audit, review, other assurance or related services.

*Network firm*⁶—An entity under common control, ownership or management with the firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally.

Noncompliance—Refers to acts of omission or commission by the entity being audited, either intentional or unintentional, that are contrary to the prevailing laws or regulations.

Non-sampling risk—(see Audit sampling)

Non-statistical sampling—(see Audit sampling)

Observation—Consists of looking at a process or procedure being performed by others, for example, the observation by the auditor of the counting of inventories by the entity's personnel or the performance of control activities.

Opening balances—Those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions of prior periods and accounting policies applied in the prior period.

Opinion—The auditor's report contains a clear written expression of opinion on the financial statements. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. (also see Modified auditor's report)

Other auditor—(see Auditor)

Other information—Financial or non-financial information (other than the financial statements or the auditor's report thereon) included – either by law or custom – in the annual report.

Overall audit strategy—Sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.

Partner—Any individual with authority to bind the firm with respect to the performance of a professional services engagement.

PCs or personal computers (also referred to as microcomputers)—Economical yet powerful self-contained general purpose computers consisting typically of a monitor (visual display unit), a case containing the computer electronics and a keyboard (and mouse). These features may be combined in portable computers (laptops). Programs and data may be stored internally on a hard disk or on removable storage media such as CDs or floppy disks. PCs may be connected to on-line networks, printers and other devices such as scanners and modems.

Personnel—Partners and staff.

Planning—Involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level.

Population—(see Audit sampling)

Post balance sheet events—(see Subsequent events)

Practitioner—A professional accountant in public practice.

Predecessor auditor—(see Auditor)

Principal auditor—(see Auditor)

⁶ As defined in the HKICPA Code of Ethics for Professional Accountants

*Professional accountant*⁷—An individual who is a member of the Hong Kong Institute of Certified Public Accountants.

*Professional accountant in public practice*⁸—A professional accountant, irrespective of functional classification (e.g., audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.

Professional skepticism—An attitude that includes a questioning mind and a critical assessment of evidence.

Professional standards—HKICPA engagement standards, as defined in the HKICPA's "Preface to the Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services," and relevant ethical requirements, which ordinarily comprise Parts A, B and D of the HKICPA *Code of Ethics for Professional Accountants* and relevant national ethical requirements.

Programming controls—Procedures designed to prevent or detect improper changes to computer programs that are accessed through on-line terminal devices. Access may be restricted by controls such as the use of separate operational and program development libraries and the use of specialized program library software. It is important for on-line changes to programs to be adequately documented, controlled and monitored.

Projection—Prospective financial information prepared on the basis of:

- (a) Hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a startup phase or are considering a major change in the nature of operations; or
- (b) A mixture of best-estimate and hypothetical assumptions.

Proposed auditor—(see Auditor)

Prospective financial information—Financial information based on assumptions about events that may occur in the future and possible actions by an entity. Prospective financial information can be in the form of a forecast, a projection or a combination of both. (see Forecast and Projection)

Public sector—National governments, regional (for example, state, provincial, territorial) governments, local (for example, city, town) governments and related governmental entities (for example, agencies, boards, commissions and enterprises).

Qualified opinion—(see Modified auditor's report)

Quality controls—The policies and procedures adopted by a firm designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances.

Reasonable assurance (in the context of quality control)—A high, but not absolute, level of assurance.

Reasonable assurance (in the context of an audit engagement)—A high, but not absolute, level of assurance, expressed positively in the auditor's report as reasonable assurance, that the information subject to audit is free of material misstatement.

Reasonable assurance engagement—(see Assurance engagement)

⁷ As defined in the HKICPA *Code of Ethics for Professional Accountants*

⁸ As defined in the HKICPA *Code of Ethics for Professional Accountants*

Recalculation—Consists of checking the mathematical accuracy of documents or records.

Related party— A party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) Has an interest in the entity that gives it significant influence over the entity; or
 - (iii) Has joint control over the entity;
- (b) The party is an associate (as defined in HKAS 28, “Investments in Associates”) of the entity;
- (c) The party is a joint venture in which the entity is a venturer (see HKAS 31, “Interest in Joint Ventures”);
- (d) The party is a member of the key management personnel of the entity or its parent;
- (e) The party is a close member of the family of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related party transaction— A transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related services—Comprise agreed-upon procedures and compilations.

Reperformance—The auditor’s independent execution of procedures or controls that were originally performed as part of the entity’s internal controls, either manually or through the use of CAATs.

Responsible party—The person (or persons) who:

- (a) In a direct reporting engagement, is responsible for the subject matter; or
- (b) In an assertion-based engagement, is responsible for the subject matter information (the assertion), and may be responsible for the subject matter.

The responsible party may or may not be the party who engages the practitioner (the engaging party).

Review (in relation to quality control)—Appraising the quality of the work performed and conclusions reached by others.

Review engagement—The objective of a review engagement is to enable an auditor to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the auditor’s attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.

Review procedures—The procedures deemed necessary to meet the objective of a review engagement, primarily inquiries of entity personnel and analytical procedures applied to financial data.

Risk assessment procedures—The audit procedures performed to obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and assertion levels.

Risk of material misstatement—(see Audit Risk)

Sampling risk—(see Audit sampling)

Sampling unit—(see Audit sampling)

Scope of an audit—The audit procedures that, in the auditor's judgment and based on the HKSA's, are deemed appropriate in the circumstances to achieve the objective of the audit.

Scope of a review—The review procedures deemed necessary in the circumstances to achieve the objective of the review.

Scope limitation—(see Limitation on scope)

Segment information—Information in the financial statements regarding distinguishable components or industry and geographical aspects of an entity.

Significance—The relative importance of a matter, taken in context. The significance of a matter is judged by the practitioner in the context in which it is being considered. This might include, for example, the reasonable prospect of its changing or influencing the decisions of intended users of the practitioner's report; or, as another example, where the context is a judgment about whether to report a matter to those charged with governance, whether the matter would be regarded as important by them in relation to their duties. Significance can be considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and effect on the subject matter and the expressed interests of intended users or recipients.

Significant risk—A risk that requires special audit consideration.

Small entity—Any entity in which:

- (a) There is concentration of ownership and management in a small number of individuals (often a single individual); and
- (b) One or more of the following are also found:
 - (i) Few sources of income;
 - (ii) Unsophisticated record-keeping; and
 - (iii) Limited internal controls together with the potential for management override of controls.

Small entities will ordinarily display characteristic (a), and one or more of the characteristics included under (b).

Special purpose auditor's report—A report issued in connection with the independent audit of financial information other than an auditor's report on financial statements, including:

- (a) A complete set of financial statements prepared in accordance with an other comprehensive basis of accounting;

- (b) A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;
- (c) Compliance with contractual agreements; and
- (d) Summarized financial statements.

Staff—Professionals, other than partners, including any experts the firm employs.

Statistical sampling—(see Audit sampling)

Stratification—(see Audit sampling)

Subject matter information—The outcome of the evaluation or measurement of a subject matter. It is the subject matter information about which the practitioner gathers sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in an assurance report.

Subsequent events— Hong Kong Accounting Standard (HKAS) 10, “Events After the Balance Sheet Date,” deals with the treatment in financial statements of events, both favorable and unfavorable, that occur between the date of the financial statements (referred to as the “balance sheet date” in the HKAS) and the date when the financial statements are authorized for issue and identifies two types of events:

- (a) Those that provide evidence of conditions that existed at the date of the financial statements; and
- (b) Those that are indicative of conditions that arose after the date of the financial statements.

Substantive procedures—Audit procedures performed to detect material misstatements at the assertion level; they include:

- (a) Tests of details of classes of transactions, account balances; and disclosures and
- (b) Substantive analytical procedures.

Successor auditor—(see Auditor)

Sufficiency—Sufficiency is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the risk of misstatement and also by the quality of such audit evidence.

Suitable criteria—(see Criteria)

Suitably qualified external person (for the purpose of HKSQC 1)—An individual outside the firm with the capabilities and competence to act as an engagement partner, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, other assurance or related services engagements, or of an organization that provides relevant quality control services.

Summarized financial statements—Financial statements summarizing an entity’s annual audited financial statements for the purpose of informing user groups interested in the highlights only of the entity’s financial performance and position.

Supplementary information—Information that is presented together with the financial statements that is not required by the applicable financial reporting framework used to prepare the financial statements, normally presented in either supplementary schedules or as additional notes.

Supreme Audit Institution—The public body of a State which, however designated, constituted or organized, exercises by virtue of law, the highest public auditing function of that State.

Test—The application of procedures to some or all items in a population.

Tests of control—Tests performed to obtain audit evidence about the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

Those charged with governance—(see Governance)

Tolerable error—(see Audit sampling)

Total error—(see Audit sampling)

Transaction logs—Reports that are designed to create an audit trail for each on-line transaction. Such reports often document the source of a transaction (terminal, time and user) as well as the transaction's details.

Uncertainty— A matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

Understanding of the entity and its environment—The auditor's understanding of the entity and its environment consists of the following aspects:

- (a) Industry, regulatory, and other external factors, including the applicable financial reporting framework.
- (b) Nature of the entity, including the entity's selection and application of accounting policies.
- (c) Objectives and strategies and the related business risks that may result in a material misstatement of the financial statements.
- (d) Measurement and review of the entity's financial performance.
- (e) Internal control.

Unqualified opinion—(see Opinion)

Walk-through test—Involves tracing a few transactions through the financial reporting system.

Wide Area Network (WAN)—A communications network that transmits information across an expanded area such as between plant sites, cities and nations. WANs allow for on-line access to applications from remote terminals. Several LANs can be interconnected in a WAN.

Working papers—The material prepared by and for, or obtained and retained by, the auditor in connection with the performance of the audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.