



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

Practice Review Oversight Board
Activities Report 2007



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1. Introduction

- 1.1 The Practice Review Oversight Board (the Board) of the Hong Kong Institute of CPAs (the Institute) was established in March 2005 to oversee the performance of the Institute's Practice Review programme.
- 1.2 To discharge its responsibilities to the Institute's Council and to demonstrate a commitment to the principle of transparency, the Board prepares a periodic report on its activities for submission to Council and publication on the website of the Institute.
- 1.3 This is the second report prepared by the Board and covers the period from March 2006 to December 2007.

2. Role of the Board

- 2.1 During the period the terms of reference of the Board were reconsidered and were slightly amended. The current terms of reference of the Board that have been agreed with the Council of the Institute are set out in Annex 1.
- 2.2 The subject of the Board's oversight function is the Institute's Practice Review programme which is established under the authority of sections 32A to 32I of the Professional Accountants Ordinance. The Practice Review Committee has been established by the Institute as the committee responsible for the development and conduct of the Practice Review programme.

- 2.3 To ensure the impartiality of the Board, members of the Practice Review Committee are not appointed as members of the Board. The Institute has also ensured that members of the Board include representatives of government and other regulatory bodies that hold a legitimate interest in the quality of audit in Hong Kong. Membership of the Board during the period covered by this report is set out in Annex 2.
- 2.4 The provision by the Board of an active and independent oversight function is an important element in the delivery by the Institute of an effective self-regulatory regime that commands public trust and confidence.

3. Activities of the Board

- 3.1 The Board held six meetings during the period covered by this report.
- 3.2 The Board continued to receive reports and consider the progress being made in the development of the revised programme of Practice Review including
- Development and implementation of revised practice review procedures and methodology
 - Development and roll out of the new practice review electronic self-assessment questionnaire
 - Commencement of a programme of reviews of the auditors of listed companies

- Clearance of a backlog of practice review cases that had originated under the previous review programme but had not been finalized

3.3 The Board determined that the Chairman of the Practice Review Committee should attend all meetings of the Board as an observer and to give direct reports to members on the activities of the Practice Review Committee.

3.4 The Board expressed its concern over the slow progress made in the implementation of the revised programme of Practice Review during the course of 2006. However, by the end of 2007 the Board was satisfied that revised procedures and methodology had been introduced and that a programme of reviews had recommenced with initial emphasis being placed on reviewing auditors of listed and other public interest entities.

3.5 During the period the Board has made a number of observations on the development of the Practice Review programme and the need to ensure that the Institute can demonstrate that it is operating a robust and effective regulatory regime. The observations have been noted by Council and the Practice Review Committee and action has been taken accordingly.

4. The Future

4.1 The members are committed to the Board's continued role in maintaining the effectiveness of the Institute's self-regulatory regime.

4.2 Hong Kong is one of the few major jurisdictions where a professional body, the Institute, retains a significant role in the regulation of the audit profession. The Institute recognizes that its position and performance will be under scrutiny from local and international stakeholders who will expect to see Practice Review providing an effective form of regulation that is on a par with the regulatory regimes in other major international financial centres.

4.3 The Board intends to continue to pay close attention to the effectiveness of the Practice Review programme and to draw attention to matters of significance that it believes are of relevance to the Practice Review programme.

Members of the Practice Review Oversight Board 2006 - 2007

Name	Position	Company
Mr. CHAN, Kwok Wai, Patrick	Chairman (from February 2007)	Hang Seng Bank Limited
Mr. CHEUNG, Wing-sum, Ambrose	Member (from February 2007)	Lai Sun Development Company Limited
Mr. GRIEVE, Charles Ramsay	Member	Securities & Futures Commission
Mr. JONES, Gordon W.E.	Member	Companies Registry (ceased to be the Registrar of Companies with effect from 27 August 2007)
Mr. MORRISON, Kenneth Graeme	Member (from February 2007)	Mazars CPA Limited
Mr. WU, Kwok Keung, Andrew	Member	Ernst & Young
Mr. HARDING, Dudley Leslie	Chairman (to January 2007)	Retired
Sir CHOW, C.K.	Member (to January 2007)	MTR Corporation Limited
Mr. CHOW, Man-yui, Paul	Member (to January 2007)	HK Exchanges and Clearing Limited
Mr. DING, Wai Chuen, Raphael	Member (to January 2007)	Grant Thornton

Practice Review Oversight Board

Terms of Reference

1. To oversee the operation of the statutory practice review programme carried out by the Practice Review Committee (PRC) of the HKICPA under the authority of the Professional Accountants Ordinance (PAO).
2. To provide independent oversight and commentary on the policies and work programme adopted by the PRC to meet the requirements of the PAO and directions issued by Council regarding practice review.
3. To meet at least four times each year to receive and consider reports from the PRC on progress against the planned programme of practice reviews. The format and content of such reports will be determined by the Board and advised to the PRC.
4. To call for and consider any other information from PRC that the Board considers from time to time is necessary for the Board to fully meet its terms of reference and discharge its responsibilities.
5. To draw Council's attention to significant issues, make observations on the practice review programme and, where appropriate, make recommendations for consideration by Council.
6. To prepare an annual report on the Board's activities for submission to Council.

