

**LegCo Panel on Financial Affairs
Meeting on 6 May 2005**

List of follow-up actions

Briefing on the work of the Hong Kong Monetary Authority

1. The Hong Kong Monetary Authority is requested to provide information on its current strength.

Consultation conclusions on legislative proposals to establish the Financial Reporting Council`

2. Noting that the function of the Financial Reporting Council (FRC) is purely investigatory and that it may, upon completion of the investigation, refer a case of auditors' irregularities to the Hong Kong Institute of Certified Public Accountants (HKICPA) for disciplinary actions or to the law enforcement bodies for criminal investigation, a member is concerned that the investigation reports of FRC are not connected with the subsequent "prosecution" work of HKICPA or the law enforcement bodies. As a result, HKICPA or the law enforcement bodies may have to conduct its own investigation to collect the required evidence and use the investigation reports of FRC as a reference only. This would result in duplication of efforts and wastage of resources. The Administration is requested to explore, in consultation with HKICPA, how the concern could be addressed. Two possible options suggested by the member are outlined as follows:
 - (a) To empower FRC to undertake "prosecution" after investigation; or
 - (b) To put in place a mechanism for HKICPA or the law enforcement body to set out the suspected irregularities, including stating all possible offences of an auditor, for FRC to undertake investigation to collect the relevant evidence.

3. Members note that one of the respondents to the consultation has requested its name not to be disclosed (item 25 in Annex A to LC Paper No. CB(1)1312/04-05(07)). In this connection, the Administration is requested to take the following actions:
 - (a) To confirm whether the respondent has also requested its views not to be disclosed and whether its views have been incorporated in the summary of written submissions provided by the Administration (Annex B to LC Paper No. CB(1)1312/04-05(07)); and
 - (b) In the event that some respondents to a public consultation exercise request their names and views not to be disclosed, to consider how the situation should be handled so that the public would have a full picture of the views collected during consultation and know whether the Administration has taken on board the views.

Council Business Division 1
Legislative Council Secretariat
12 May 2005