

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1721/03-04

Ref : CB1/PL/FA

**Paper for the House Committee meeting on 7 May 2004**

**Report of the Panel on Financial Affairs  
on the policy issues relating to  
the Professional Accountants (Amendment) Bill 2004**

**Purpose**

This paper reports on the deliberations of the Panel on Financial Affairs (the Panel) on the policy issues relating to the Professional Accountants (Amendment) Bill 2004 (the Bill) at the Panel meeting held on 3 May 2004.

**Background**

2. At its meeting on 23 April 2004, the House Committee considered the Bill introduced by Dr Hon Eric LI. Members noted that the Bill aimed to open up the Hong Kong Society of Accountants (HKSA)' governance structure and to improve the present regulatory processes enshrined in the law. At the request of some Members, the House Committee decided that the policy issues relating to the Bill should be further discussed by the Panel before a decision was made on whether a bills committee should be formed to study the Bill.

3. Pursuant to the House Committee's decision, the Panel deliberated on the relevant policy issues at its meeting on 3 May 2004. Dr Hon Eric LI, representatives of HKSA and representatives of the Administration were invited to attend the meeting.

**Deliberations of the Panel**

Objects of the Bill

4. The Panel notes that the Bill seeks to amend the Professional Accountants Ordinance (PAO) (Cap. 50):

- (a) to change the name of HKSA to the "Hong Kong Institute of Certified Public Accountants" (the Institute);

- (b) to expand the membership of the Council of the Institute (the Council) by increasing the number of lay members and the number of elected members;
- (c) to reform the investigation and disciplinary mechanism under PAO, including the expansion of the membership of an Investigation Committee (IC) appointed by the Council from three to five, with the majority of members (including the chairman) being lay persons, and altering the composition of a Disciplinary Committee appointed by the Council, with the majority of members (including the chairman) being lay persons;
- (d) to broaden the powers of the Council and the Investigation Committee and the sanctions available to the Disciplinary Committee;
- (e) to provide immunity to members of the Council and its delegates, the Registrar and officers and employees of the Institute exercising statutory powers in good faith;
- (f) to make miscellaneous technical amendments; and
- (g) to make consequential amendments to the Professional Accountants By-laws (Cap. 50 sub. leg. A) and to other Ordinances and subsidiary legislation.

5. The Panel is advised by Dr Hon Eric LI that the proposals under the Bill were initiated by HKSA and have the support of a great majority of its members. The proposals also have the support of the Administration, as they seek to enhance the element of oversight in the present regulatory regime set out in PAO.

#### Impact of the Bill

6. Given that accountants play an important role in safeguarding the integrity of financial reporting, the Panel appreciates the need to enhance the effectiveness and transparency of the regulatory regime of the accountancy profession to inspire confidence of the investing public. As the Bill covers a range of proposals relating to the reform of the regulatory regime, reform of the investigation and disciplinary mechanism, and expansion of the immunity provisions under PAO, members of the Panel are concerned that the Bill may have significant impact on the accountancy profession and the public. They therefore consider it more prudent for the Legislative Council to examine the relevant policy and technical issues in detail.

### Urgency of the Bill

7. The Panel notes that the Bill was introduced against the background where confidence in the accountancy profession has been brought into sharp focus after the corporate scandals in the United States in mid 2002. The Panel shares Dr Hon Eric LI's view that there is a need to expedite the scrutiny of the Bill to ensure an effective, transparent and accountable regulatory regime for the accountancy profession, which is in line with international developments, so as to restore public confidence. The Panel therefore supports Dr LI's request that priority be given to the scrutiny of the Bill if the House Committee decides that a bills committee should be formed to study the Bill.

8. In this connection, the Panel notes that House Rule 21(f) provides that:

"The order of Bills Committee on the waiting list is in the order of the introduction of the relevant bills into the Council. In acceding to a request of the Administration for priority activation of a Bills Committee on a Government bill, the order of the Bills Committees on Member's bills should not be affected as a result. Similarly, should a Member's bill be dealt with ahead of other bills, the order of Government bills should not be altered. The decision on whether a bill is urgent rests with the House Committee."

9. As there are a total of eight Bills Committees formed to study Government bills on the waiting list, the Panel has sought the Administration's view on whether it has any objection to Dr LI's request that priority be given to the scrutiny of the Bill should a vacant slot arise in the near future. The Clerk to Panel's letter to the Director of Administration is in the **Appendix**. The Director's reply will be forwarded to Members once available.

### **Recommendation**

10. The Panel recommends that priority be given to the scrutiny of the Bill if the House Committee decides that a bills committee should be formed to study the Bill.

### **Advice sought**

11. Members are invited to take note of the deliberations of the Panel in considering whether a Bills Committee should be formed to scrutinize the Bill.

*Urgent By Fax: 2804 6870*

CB1/PL/FA  
2869 9244  
2869 6794

3 May 2004

Ms CHANG King-yiu, JP  
Director of Administration  
Chief Secretary for Administration's Office  
Administration Wing  
12th Floor, West Wing  
Central Government Offices  
Hong Kong

Dear Ms CHANG,

**Panel on Financial Affairs**

**Professional Accountants (Amendment) Bill 2004**

Pursuant to the House Committee's decision on 23 April 2004, the Panel on Financial Affairs deliberated at its meeting held this morning on the policy issues relating to the Professional Accountants (Amendment) Bill 2004 (the Bill) introduced by Dr Hon Eric LI.

Given the impact of the Bill on the accountancy profession and the public, members of the Panel consider it more prudent for the Legislative Council to form a bills committee to examine the relevant policy and technical issues in detail. Noting that the Bill aims to open up the Hong Kong Society of Accountants' governance structure and to improve the present regulatory processes enshrined in the law, members share Dr Hon Eric LI's view that early passage of the Bill may be beneficial to the accountancy profession and the public. In this connection, the Panel supports Dr LI's request that a recommendation be made to the House Committee that priority be given to the scrutiny of the Bill if the House Committee decides that a bills committee should be formed to study the Bill.

The Panel is aware that the Financial Services and the Treasury Bureau also supports early passage of the Bill. However, as there are a total of eight Bills Committees formed to study Government bills on the waiting list, the Panel directs me to seek the Administration's view on whether it has any objection to Dr LI's request that priority be given to the scrutiny of the Bill should a vacant slot arises in the near future.

To facilitate the Panel to report its recommendations to the House Committee this Friday, I should be grateful if you would let me have your reply (in both Chinese and English) by 12:00 noon, Wednesday, 5 May 2004. Please forward the soft copy of your reply to Ms May LEUNG at [mleung@legco.gov.hk](mailto:mleung@legco.gov.hk).

Yours sincerely,

(Miss Salumi CHAN)  
Clerk to Panel

c.c. Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)  
Dr Hon Eric LI Ka-cheung, GBS, JP (Fax:2827 5086)  
Clerk to House Committee