



創於1913年  
Founded in 1913

# 香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)  
(Incorporated in Hong Kong as a company limited by guarantee)

26 February 2010

The Registrar  
Hong Kong Institute of Certified Public Accountants,  
37/F Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

Dear Winnie,

Consultation Paper on Proposed Changes to Auditing Practices  
(A Revision to the Consultation Paper January 2009)

In response to the Revised Consultation Paper on Proposed Changes to Auditing Practices ("Revised Consultation Paper") issued in December 2009, we have held a members' forum on 10 February 2010 to seek the views of our members on the Revised Consultation Paper. The forum was attended by 110 members and a survey was conducted on those questions raised in the Revised Consultation Paper. A summary of the survey findings and the survey forms completed by our members are enclosed for your perusal. The key comments from our members are summarised below.

*Disagreement on Certain Proposals*

Proposals disagreed by our members generally:

- Amending the Professional Accountants Ordinance (PAO) such that the residency requirement for the issuance of practising certificate shall be stipulated as defined by your Council from time to time
- Restructuring fees and to levy a single Registered Audit Practice (RAP) fee and to adjust practising certificate fees accordingly
- Empowering the Practise Review Committee to give the order for removal of Authorised Signatories (AS).

The expansion of the location of ordinary residence is one of the most controversial proposals in the last consultation. Most of our members are reluctant to change this



# 香港華人會計師公會

## The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)  
(Incorporated in Hong Kong as a company limited by guarantee)

without thorough discussion and consensus agreement of practising members. We need to point out that the new proposal of amending the PAO to empower your Council to define the residency requirement for the issuance of practising certificate from time to time does not give us the necessary comfort.

Most of our members attending the forum disagree on the proposal of restructuring the fees and to levy to a single RAP fee and adjust practising certificate fees since there is no indication of how the fees will be adjusted. However, our members would like to see a reduction in fees. Without further details of the proposed fee structure, we worry that a single RAP fee will lead to impose a significant burden on SMPs or to PC holders since larger firms are now paying higher fees. We strongly remind the Institute that the restructuring of the fees and levy, if necessary, must be fair and reasonable.

During the discussion in the forum, our members would like to keep the present procedures of removing PC holders to the future AS.

### *Registered Audit Practice and Authorised Signatories*

Although the majority of our members in the forum agree on questions 3 and 4, there are strong expressions of concern from our members that the proposal of creating a register of RAP and the new designation of AS may cause additional confusion to public with the present designations of CPA and CPA (practising). We strongly recommend your Council to reconsider such proposal and to make sure there is sufficient publicity campaign if the proposal is adopted.

### *No Consensus on a Proposal*

Slightly higher than 50% of our members attending the forum disagreed on question 6. Our members have also questioned what criteria the Institute will adopt to determine if members are “fit and proper”. We hope that the Institute can define “fit and proper” in the context as soon as possible. Some of our members also suggested that the definition of “fit and proper” of other countries may not be perfectly fit Hong Kong and the proposed definition should take into account the local environment and factors now prevailing in Hong Kong.

If there are any matters concerning this letter which you would like to discuss further, our



創於1913年  
Founded in 1913

# 香港華人會計師公會

## The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

Council and I will be most happy to meet with you and your Council. Please contact the undersigned or our Council at our email address at [info@scaacpa.org.hk](mailto:info@scaacpa.org.hk), facsimile no. (852)2526 6434 or telephone no. (852) 2869 6680.

Yours sincerely,

Donald Chau

Chairman of Auditing Practices Management

The Society of Chinese Accountants and Auditors

Encl.

	Please choose one by using $\sqrt{\quad}$		Any other comments
	Agree	Disagree	
<b>Ordinary residence</b>			
<b>Question 1:</b>			
Do you agree that Council shall deem people as ordinarily resident in HK for issuing a practising certificate if:			
(i) they have been present in Hong Kong for not less than 180 days in the past 12 months prior to the date of their practising certificate application or renewal; or	[ 60 ]	[ 7 ]	
(ii) they have the right of abode in HK, i.e. they are permanent residents of HK	[ 67 ]	[ 1 ]	
<b>Question 2:</b>			
Do you agree that the Professional Accountants Ordinance be amended such that the residency requirement for practising certificate issuance shall be stipulated as defined by Council from time to time?			
	[ 2 ]	[ 65 ]	
<b>Recent auditing experience and registered firms</b>			
<b>Question 3:</b>			
Do you agree that			
(i) practising certificate holders continue to be allowed to renew their practising certificate without meeting the recent auditing experience requirement; and	[ 51 ]	[ 15 ]	
(ii) practising certificate holders may perform audits in their own name, a firm or corporate practice provided that such practice units are registered as a Registered Audit Practice (RAP).	[ 54 ]	[ 11 ]	
<b>Question 4:</b>			
Do you agree that register of Registered Audit Practices (RAP) be created?			
	[ 53 ]	[ 13 ]	
<b>Question 5:</b>			
Do you agree that a practice is only eligible for registration as RAP if it meets the following requirements:			
(i) New 'fit and proper' requirement for an audit practice;	[ 40 ]	[ 18 ]	
(ii) Majority voting rights to be in the hands of practising certificate holders; and	[ 53 ]	[ 9 ]	
(iii) Identify the individuals that the Registered Audit Practice has nominated as Authorised Signatories (AS).	[ 49 ]	[ 10 ]	
<b>Question 6:</b>			
Do you agree that the institute adopts the IFAC's Int'l Education Standard 8 for assessing the competence of AS?			
(if not, any suggested standard?)	[ 25 ]	[ 31 ]	
<b>Question 7:</b>			
Do you agree that the institute restructure fees and levy a single Registered Audit Practice fee and adjust practising certificate fees?			
(there is no indication of adjusting up or down in the proposal)	[ 16 ]	[ 41 ]	

**Survey on revised "Consultation Paper on Proposed Changes to the PC Regime" issued in Dec 2009**

	<b><u>Please choose one</u></b> <b><u>by using √</u></b>		<b>Any other</b>
	<b><u>Agree</u></b>	<b><u>Disagree</u></b>	<b><u>comments</u></b>
<b>Question 8:</b> Do you agree that the order for removal of AS may come from the Practice Review Committee?	[ 2 ]	[ 67 ]	_____
<b>Other proposals</b>			_____
<b>Question 9: (no consensus in last SCAA survey)</b> Do you agree that first-time PC applicants should possess one year of local auditing experience within the previous two years (instead of three years) prior to the date of the PC application?	[ 60 ]	[ 8 ]	
Do you agree this policy also apply to existing PC holders with a lapse in their audit experience before returning to become an AS?	[ 52 ]	[ 12 ]	
<b>Question 10: (no consensus in last SCAA survey)</b> Do you agree that the testimonial submitted by the employer audit practice in support of a first-time practising certificate application must also confirm that the experience gained by the applicants demonstrates that they have had responsibility or have been delegated responsibility for making significant judgements in an audit?	[ 51 ]	[ 14 ]	_____
<b>Question 11:</b> Do you agree that RAP should subject to annual declaration of compliance with the fit and proper criteria based on those used in the UK for audit firms eligible for registration as RAP? (if not, any suggested set of criteria?)	[ 48 ]	[ 12 ]	_____
<b>Question 12:</b> Do you agree that the Disciplinary Committee is empowered to include the conditions in the disciplinary order and Council to attached conditions where they are related directly to the disciplinary offence?	[ 44 ]	[ 20 ]	_____
<b>Question 13:</b> Should the majority of the voting rights in a RAP be held by practising certificate holders? (previously propose 51% : 49% of PC holders to non PC holders)	[ 60 ]	[ 3 ]	_____
<b>Question 14: (no consensus in last SCAA survey)</b> Do you agree that sole proprietorship firms and sole-practising member corporate practices should be allowed to appoint no more than one non employee practising certificate holder as its authorised signatory?	[ 53 ]	[ 12 ]	_____
<b>Any further comment:</b>			_____

Name (optional): \_\_\_\_\_

Any further comment:

Q1	<ul style="list-style-type: none"> <li>● 外國人亂簽名, 出左事走佬, 如何追究責任?</li> <li>● Both conditions shall meet.</li> </ul>
Q2	<ul style="list-style-type: none"> <li>● 經立法程序可逼使業界進行真正討論( 現時未有業界共識)</li> <li>● Written in PAO to be better. The residency requirement should be clearly and stipulated in the Professional Accountants Ordinance ( RAP50) only.</li> </ul>
Q3	<ul style="list-style-type: none"> <li>● 將partner 定義狹窄至audit practice 的人屬不合理</li> <li>● To be defined .</li> <li>● Rename AS as registered auditor to be better.</li> <li>● Too confused to public. If no practicing, just CPA (non-practising). If audit experience, then CPA( Practising)</li> <li>● Principle of RAP is wrong because a Practising is not a member of HKICPA, should be a register of HKICPA providing Audit service and show their firm name side by side</li> <li>● Business name is secondary. No formal registration process required. Just list out audit practice.</li> <li>● The nature and purpose of practicing certificate would be to identify those members who are qualified to provide professional accounting services to the public (including services on audit, accounting, taxation, consultancy, liquidation etc) and to regulate their services. For example, CIMA also issue practicing certificates to their practising members. HKICPA should promote the MARKETING of such members' services to the public. PC should not be restricted to or monopolize by members providing auditing services and should not be defined as such. Members have the choice what public accounting services they would provide or specialize. It is up to HKICPA to specify the special requirements for certain services, eg auditing, and the PC should specify any exclusion of services to be provided by the PC holder (it is the free choice of members not to provide or not qualified to provide).</li> </ul>
Q4	<ul style="list-style-type: none"> <li>● Not necessary, More define are required. 未有清晰定義, 放棄選擇.</li> <li>● Subject to No additional fee charged for RAP registering. But must clearly explain to outside and clearly define the term. Rap gives a name "Auditor" Name must be clearly defined and separate</li> <li>● From PC holder. Provided no additional fee increase.</li> <li>● Provided no extra RAP registration fee. RAP be named as authorized auditors. Provided them no additional fees. Imposed on obtaining RAP. If no audit practice just CPA designatories , then fellow etc.</li> <li>● It is wrong in principle to promote or regulate a business name or practice. HKICPA should promote or market its members only and not a business name. Business names (ie names not containing the full personal names of members) are now allowed for audit practices. Business names may be very similar and confusing to the public (like limited companies names). HKICPA should encourage the public to use the services of its members and not a business. Accordingly, HKICPA should just maintain a registered of PC holders in which should specify the specific public accounting services for which a member is qualified to provide to the public. Business or practice names may be listed but should be secondary to the personal names of members. A good index at the end of the register should be adequate to enable quick search of names. HKICPA should emphasis its members and the public should talk to and approach members for public accounting services and not agents or middlemen or any person who are not members of HKICPA. If a business name is promoted or registered, the public may ignorantly approach any officers or employee of the business instead.</li> </ul>



Q5	<ul style="list-style-type: none"> <li>● Define “fit &amp; proper”</li> <li>● Agree but not subject to not a pre-conductive to sign audit part</li> <li>● Fit &amp; proper requirement not yet issued, should be defined for further discussion.</li> <li>● Should change to Auditors ( AA)</li> <li>● Not less than 50% i.e. 50% is ok.</li> <li>● Voting rights shall leave in the firm’ s business but not based on practicing or not</li> <li>● Authorized signatories is not a good name. Proper name such as Register auditor and proper Chinese name should be used to avoid confusion.</li> <li>● Clearly define the term of “AS” .</li> <li>● AS Should be named as auditor or Registered Auditor.</li> <li>● As to be named as Registered Auditor.</li> <li>● Authorized signature should be called “審計師”</li> <li>● HKICPA may well consider to revert to history and label their members qualify to provide audit services as “Authorised Auditors” which is simple and very clear. For other public accounting services, HKICPA should think of a simple name for other services.</li> <li>●</li> </ul>
Q6	<ul style="list-style-type: none"> <li>● Should modify to fit HK situation. Agree with local consideration adopted but must consider local situation &amp; express individual condition. Modification should be made based on local conditions.</li> <li>● Agree but should be modified to HK practicing situation. Please clarify the education standard. Can use IFAC as a Subject to practical condition. Modify to our practice. But tailored made with reference to IES 8.</li> <li>● With modification. Demanded adjustment.</li> <li>● Has to considers HK situation as a pre-factor. Please specify to be adopted to HK situation. Base on the standard but need to modify to H.K. Practical situation and environment. IFAC’ s Int’ l Education Standard 8 be adopted as a basic only subject to modification, suitable to Hong Kong. Modified to local conditions in practical manner</li> </ul>
Q7	<ul style="list-style-type: none"> <li>● 肯定又係另一歛財之舉.</li> <li>● Need AGM approval.</li> <li>● A single register audit practice fee may be not fair for SME practicing. It should be criteria to set different levels of fee.</li> <li>● No more fee increase.</li> <li>● Need to further clarify the proposed, more details s/b provided.</li> <li>● Provided no increase in fees. Should levy a fee on PC only &amp; no fee on practice unit. But no additional fee charged to HKICPA.</li> <li>● Specify the fee change method. Why single fee? Why additional fee for RAP?</li> <li>● The Association (HKICPA) cannot add additional fee to RAP in order to protect the PC Holders who with audit experience.</li> </ul>
Q8	<ul style="list-style-type: none"> <li>● 警察法官同一人, 如何抗辯? 上review/appeal board 又係同一幫人</li> <li>● Follow the exiting procedures no need to change</li> <li>● PRC’ s function is educational only. Practice review should not be given power to discipline member.</li> <li>● should use existing policy. Practice review is only for educational purpose. The right to remove as showed be same as existing procedure.</li> <li>● Follow the existing procedure. Applying previously practice is recommended.</li> <li>● Follow the existing system. No change to current policy. Current practice should be Okay.</li> </ul>

	<ul style="list-style-type: none"> <li>● Should follow the existing procedures. Must has theory in council &amp; disciplinary committee.</li> <li>● Should refer to Disciplinary council.</li> <li>● Stick to current is better.</li> <li>● Removal of AS should follow the practice.</li> <li>● Be no change. Apply current policy.</li> <li>● Refer to disciplinary committee.</li> <li>● Avoid abuse of power.</li> <li>● The power for removal of AS should use on Disciplinary Committee only</li> <li>● Must go through the formal disciplinary proceedings.</li> </ul>
Q9	<ul style="list-style-type: none"> <li>● 完全抹殺PC holder做非audit工作的可能性</li> <li>● Not reasonable for exiting PC holders. Not enough experience.</li> <li>● HKICPA should provide any alternative to employment experience to enable members to qualify for a practising certificate. HKICPA should not force members to seek employment with a practice for a minimum period in order to qualify for applying a PC. For example, members may qualify through attending classes and passing exam instead. This would be helpful for matured members who wish to change their work in the middle of their career and would find it difficult or inappropriate to serve as an employee again.</li> </ul>
Q10	<ul style="list-style-type: none"> <li>● If the employer refuses to approve the experience there should be appeal channel for the applicant.</li> </ul>
Q11	<ul style="list-style-type: none"> <li>● Should clearly define fit and proper. Please define fit and proper.</li> <li>● Subject to the definition “fit and proper” in question 5.</li> <li>● Define fit 4 proper criteria.</li> <li>● Define fit &amp; proper. Define fit &amp; Proper.</li> </ul>
Q12	<ul style="list-style-type: none"> <li>● The content of conditions should be clearly laid down in the terms of reference of disciplinary committee</li> </ul>
Q13	<ul style="list-style-type: none"> <li>● Not less than 50% of the voting rights.</li> </ul>
Q14	<ul style="list-style-type: none"> <li>● No- employee</li> <li>● 全外判簽名并不可取</li> </ul>