



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

Compliance

Operations Report 2013

Table of contents

Section	Page
Introduction Regulating CPAs Compliance department	3
Complaints What is a complaint? Sources of complaints Compliance department's role Professional Conduct Committee Statistics	4
Disciplinary proceedings Disciplinary process Disciplinary Committee Compliance department's role Statistics Disciplinary orders	7
Section 42 offence What is a section 42 offence? Compliance department's role	10
Regulatory oversight Regulatory Accountability Board	11

Abbreviations used:

COE	Code of Ethics for Professional Accountants
CPA	Certified public accountants
HKICPA / Institute	Hong Kong Institute of Certified Public Accountants
HKFRS	Hong Kong Financial Reporting Standard
HKSA	Hong Kong Standard on Auditing
HKSQC	Hong Kong Standard on Quality Control
Members	CPA, CPA firms, corporate practices and registered students
PAO	Professional Accountants Ordinance
PCC	Professional Conduct Committee
RAB	Regulatory Accountability Board
SAS	Statement of Auditing Standards

Introduction

Regulating CPAs

The Hong Kong Institute of Certified Public Accountants is the licensing body for professional accountants in Hong Kong and is responsible for regulating the conduct of certified public accountants. As part of its regulatory function, the Institute addresses complaints concerning ethical and professional conduct of its members, member practices and registered students.

Compliance with the Institute’s professional standards is a requirement of membership. Complaint and disciplinary processes are key mechanisms by which the Institute regulates the conduct of its members with sanctions being imposed for serious breaches.

Compliance department

The compliance department carries out the Institute’s function of regulating the ethical and professional conduct of CPAs. Integrated within are systems for continuous assessment and improvement supported by independent process review. The core activities of the department are:

Enforcement	Promote Professional Conduct
<ul style="list-style-type: none">▪ Case assessment and investigation▪ Disciplinary action▪ Counteract section 42 offences	<ul style="list-style-type: none">▪ Promote good practice▪ Raise awareness on current issues

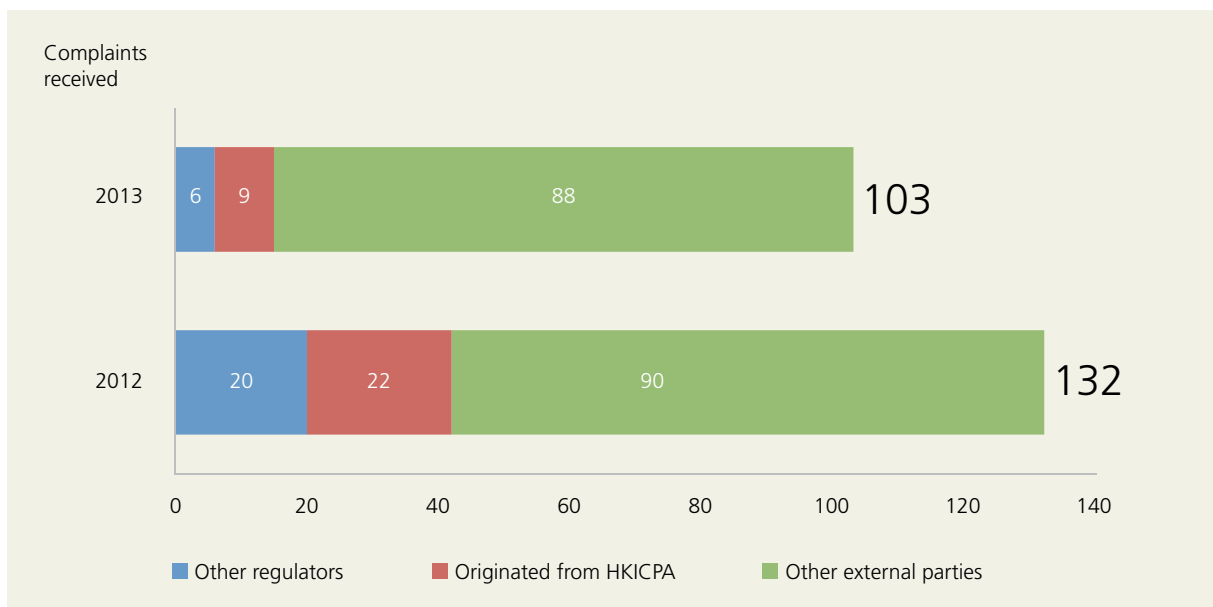
This report sets out the compliance department’s key activities and associated operations statistics for 2013.

Complaints

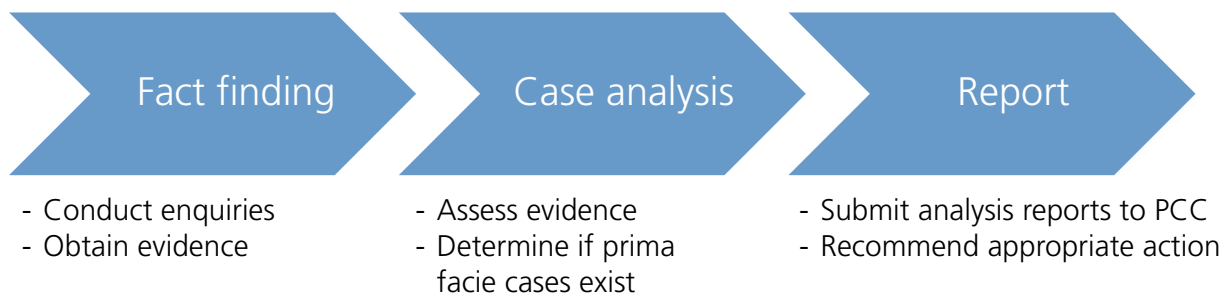
What is a complaint?

Complaints must be in writing, supported by adequate evidence indicating that a Member has failed to follow professional standards issued by the Institute or committed other improper acts.

Sources of complaints



Compliance department's role



Professional Conduct Committee

The PCC comprises both CPAs and lay persons. When deliberating cases, the PCC:

- Considers each case in light of its circumstance and the expected conduct of the Member under the relevant professional standards; and
- Is mindful of the Institute's commitment to uphold the quality of professional standards and the positive public perception of the profession in Hong Kong.

Types of action under PCC's terms of reference

Dismissal	<ul style="list-style-type: none">• Instances where there is insufficient evidence to show prima facie case• Subjects outside HKICPA's jurisdiction• Advisory letter issued for less than exemplary conduct
Adjudication	<ul style="list-style-type: none">• Disapproval letter issued for minor prima facie cases• Direct other course of action as appropriate
Recommendation	<ul style="list-style-type: none">• Resolution by agreement for potential disciplinary cases of moderate severity• Recommend referral of serious prima facie cases to the Disciplinary Panels

For details on complaint process, visit: <http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/complaints/>

Statistics

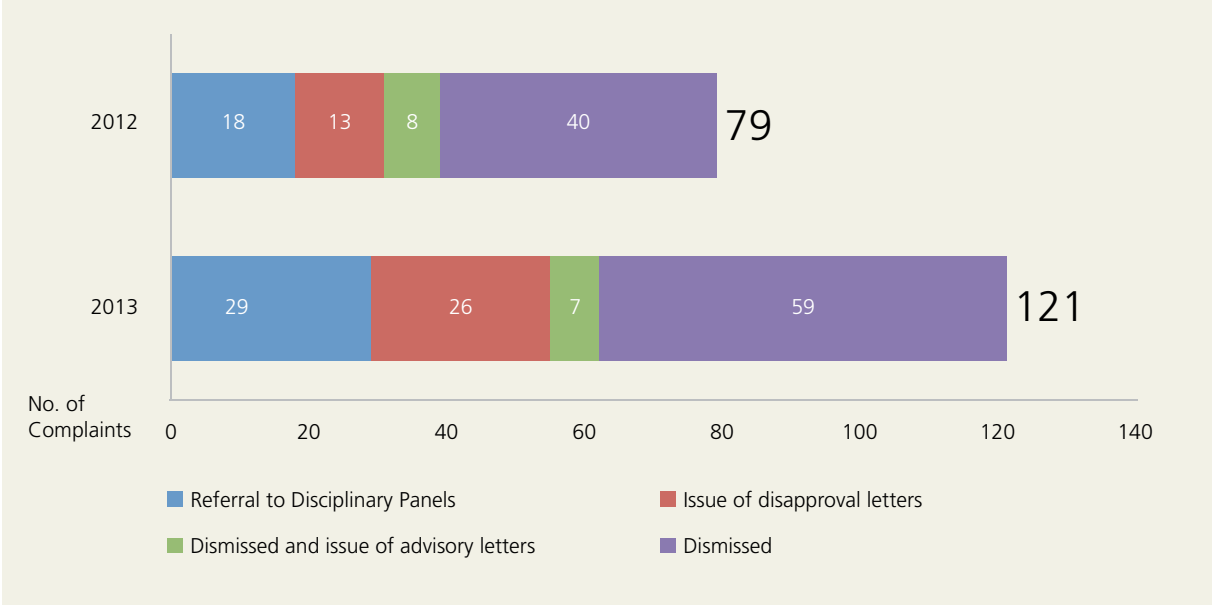
Complaints resolved

	2013	2012
■ Resolved by PCC	121	79
■ Cases not reported to PCC		
- Section 42 offence	8	22
- Outside jurisdiction	4	4

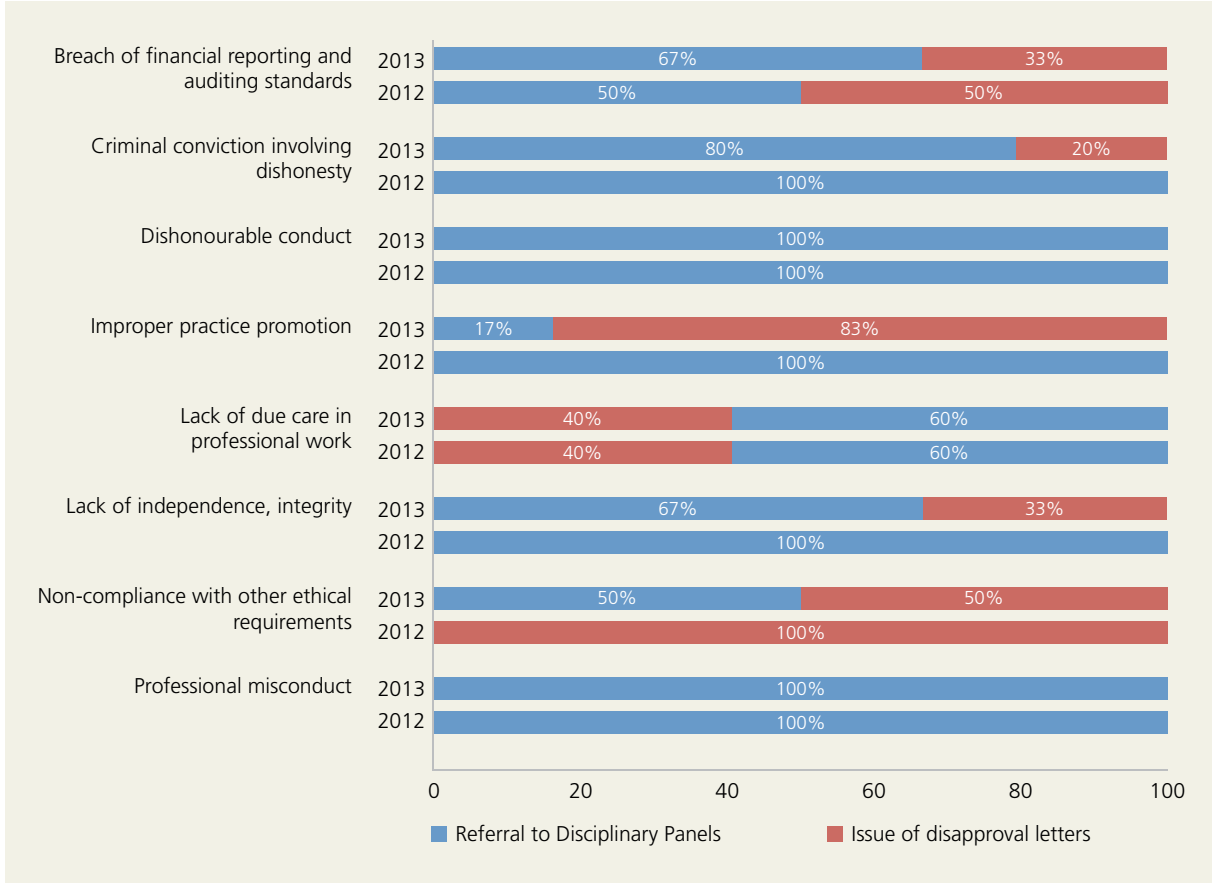
Note:

Cases not reported to PCC generally involve section 42 offences, other allegations relating to non-members and matters requiring referral to another regulator for investigation.

Complaints resolved by PCC:

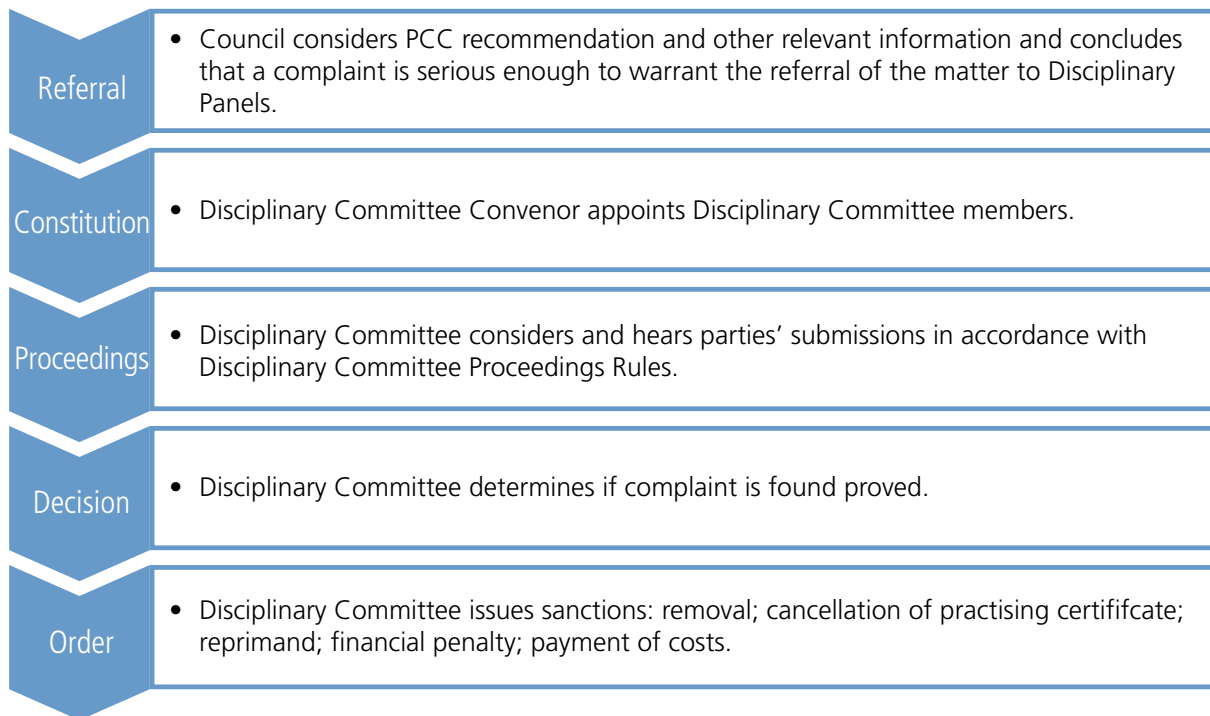


Nature of prima facie cases:



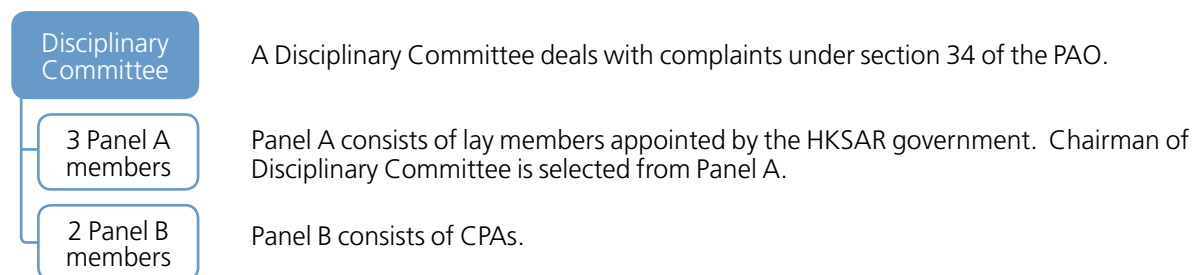
Disciplinary proceedings

Disciplinary process



For details on disciplinary process, visit: <http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

Disciplinary Committee

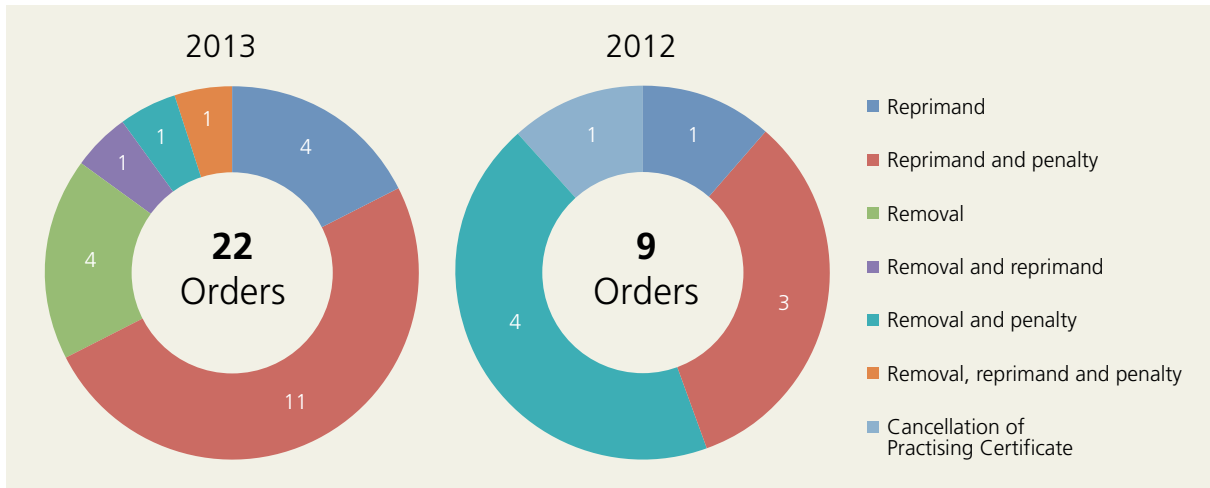


Compliance department's role

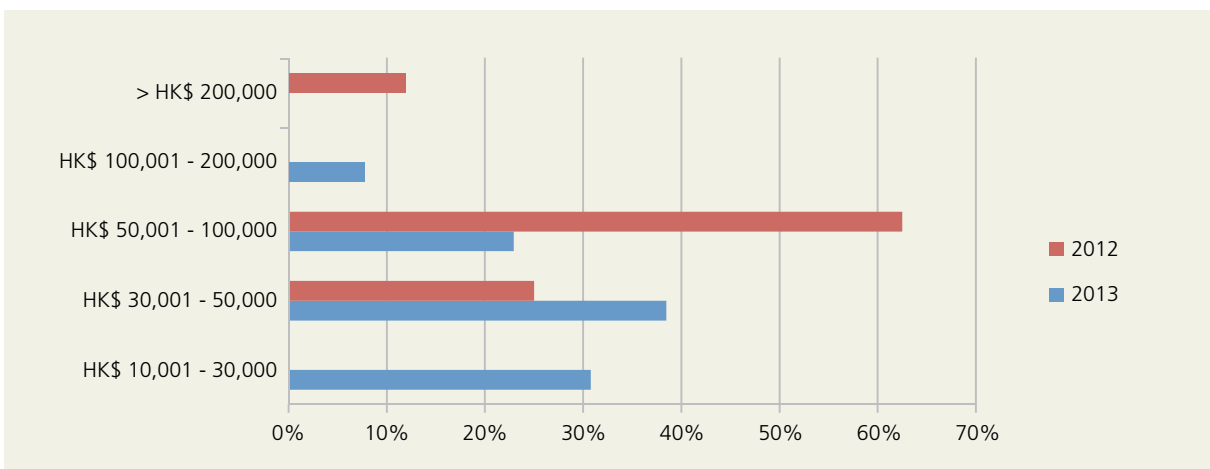
- Compliance team supports the legal team which acts as the Representative of the Complainant in disciplinary proceedings.
- A member of compliance staff, independent of the Complainant, acts as clerk in providing administrative support to the Disciplinary Committee. In complex cases or upon request of the respondent, an external clerk may be engaged.

Statistics

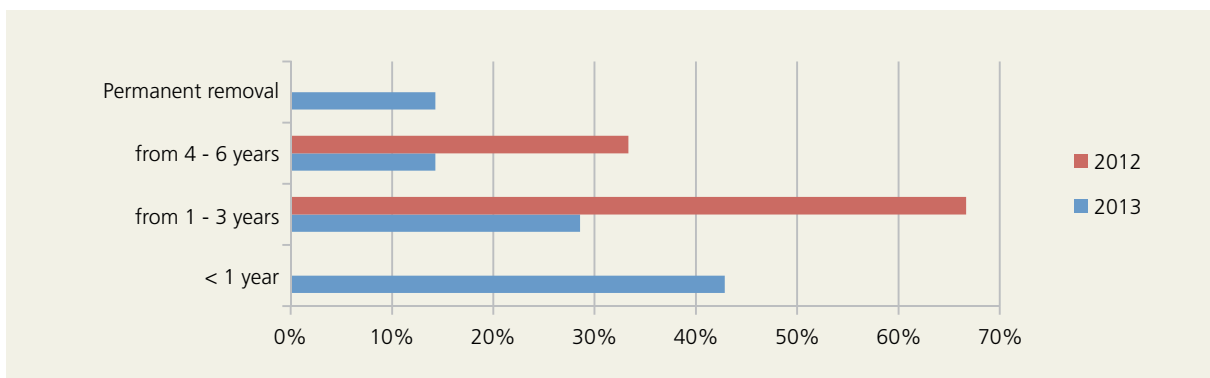
Sanctions imposed by Disciplinary Committees:



Level of financial penalties ordered by Disciplinary Committees:



Period of removal ordered by Disciplinary Committees:



Disciplinary orders

22 disciplinary orders were issued in 2013 (2012: 9 orders) resulting in the following:

Breach of relevant profession standards		Penalty
S.34(1)(a)(vi): Applies to a CPA who failed or neglected to observe, maintain or otherwise apply a professional standard.		
1	HKSA 500; HKFRS for Private Entities	Reprimand; Penalty of \$46,000
2	HKSA 230	Reprimand; Penalty of \$25,000
3	S.100.4, 130 of COE	Reprimand; Penalty of \$50,000
4	S.100.4, 130 of COE	Reprimand; Penalty of \$120,000
5	S.100.4, 150 of COE	Reprimand; Penalty of \$10,001
6	S.100.4, 110, 130 of COE	Reprimand; Penalty of \$60,000
7	HKSA 230	Reprimand; Penalty of \$35,000
8	HKSA 230; HKSQC 1	Reprimand; Penalty of \$40,000
9	S.100.5, 130 of COE	Reprimand; Penalty of \$30,000
10	S.100.4, 130 of COE	Reprimand; Penalty of \$20,000
11	S.150, 450 of COE	Reprimand; Penalty of \$80,000
12	S.150, 450 of COE	Reprimand
13	S.450 of COE	Reprimand
14	S.100.4 of COE	Reprimand
15	S.150 of COE	Reprimand
16	S.130 of COE	1 st Respondent: Removal of 1.5 years 2 nd Respondent: Reprimand
S.34(1)(a)(ix): Applies to a CPA who refused or neglected to comply with the provisions of any bylaw or rule made or any direction lawfully given by the Council.		
17	NA	Removal of 6 months; Penalty of \$80,000
S.34(1)(a)(x): Applies to a CPA who was guilty of dishonourable conduct.		
18	NA	Removal of 4 years
19	NA	Permanent removal
20	NA	Removal of 1 year
21	NA	Removal of 6 months
S.34(1)(a)(vi) and S.34(1)(a)(ix)		
22	SAS 600	Reprimand; Penalty of \$30,000
22	NA	Removal of 6 months; Penalty of \$20,000

Notes:

Costs and expenses of and incidental to the proceedings of the Complainant were ordered to be paid by the respondents in all of the above cases. For details on the disciplinary orders, visit: <http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

Section 42 offence

What is a section 42 offence?

A common type of complaint concerning non-members involves apparent violations of section 42 of the PAO. This type of offence generally involves individuals or companies that:

- fraudulently represented themselves to be qualified and registered to practise as a CPA (practising); or
- are not CPAs but knowingly permit the use of “certified public accountant” or “CPA” in their name or in connection with their business.

Compliance department's role

Complaints against non-members are not reported to the PCC. In order to uphold the integrity of the profession, the compliance department undertakes the following procedures to deal with section 42 offences:

Identify

- Review promotional materials to identify section 42 offence.
- Determine if offending parties include CPAs. Cases involving CPAs are dealt with under the complaint process.

Caution

- Issue warning letter to unlicensed practise requesting corrective action.

Report

- Report matter to police for investigation and regular follow up on case status and outcome.

Monitor

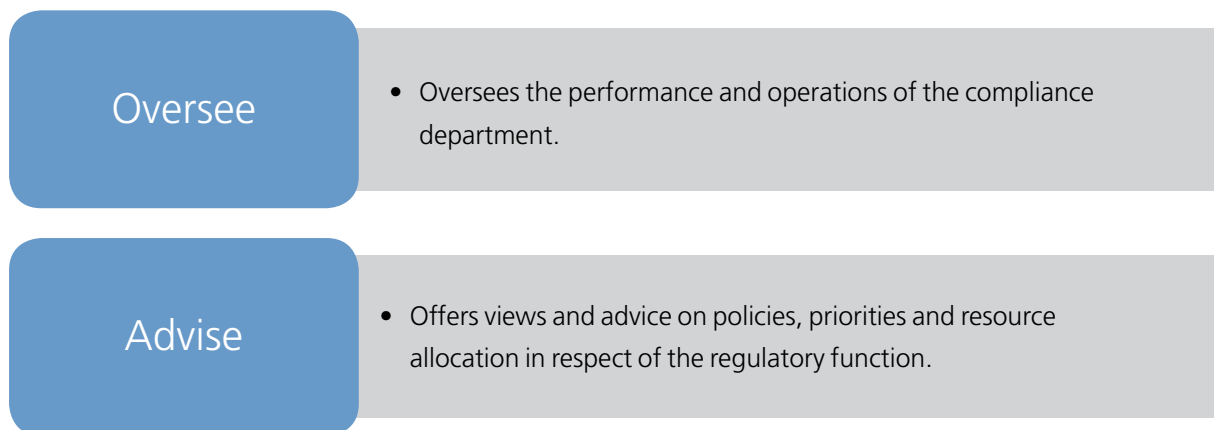
- Monitor corrective actions by offenders to ensure no repeat of offence.

Regulatory oversight

Regulatory Accountability Board

The Regulatory Accountability Board was set up to ensure that the regulatory function of the Institute is carried out in accordance with strategies and policies determined by Council, and in the public interest.

The RAB consists of CPAs, representatives of Hong Kong regulators and lay members. To carry out its responsibilities, the RAB undertakes the following functions:



As part of its oversight functions, the RAB conducted a process review of the operations of the compliance department in 2013 for the purpose of:

- assessing whether the compliance department adheres to established internal procedures;
- evaluating the quality of procedures and time taken to deal with cases; and
- identifying areas that require improvements and make recommendations thereon.

The results of the process review indicated that:

- ✓ Cases were dealt with in accordance with established internal procedures.
- ✓ No undue delays in processing of the cases reviewed.
- ✓ No criticisms of the quality of case handling.

The RAB provided some recommendations for improvement. A report on the process review issued by the RAB in February 2014 is published on the Institute's website. Visit: <http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/publications-reference/>

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