



Ethics Committee
Meeting Summary – April 2006

The Ethics Committee (Committee) met on 20 April 2006.

Members of the Committee present were: Mark Fong (Chairman), Doug Oxley (Deputy Chairman), Keith Pogson (Deputy Chairman), Albert Au, Paul Cheng, Chew Fook Aun, Quinn Law, Lucia Li, Raymond Ng, Shelia Pattle and Kenny Tam.

Secretariat staff present were: Patricia McBride (Director, Standard Setting) and Elaine Chan (Assistant Director, Standard Setting).

The Committee discussed the following items:

1. Welcome to a New Member
2. Due Process for Ethics Standard-setting
3. Proposed Revisions to Section 450 “Practice Promotion”
4. Proposed Revisions to Section 432 “Integrity, Objectivity and Independence in Insolvency”

1. Welcome to a New Member

The Chairman welcomed Mr. Kenny Tam who represented the Small and Medium Practitioners Committee to his first meeting of the Committee.

2. Due Process for Ethics Standard-setting

The Committee approved to submit the following two proposed flowcharts for ethics standard-setting to Council for approval for posting onto the Institute’s website:

- a. Due process for the adoption of International Ethics Standards Board for Accountants pronouncements; and
- b. Due process for the development of local Ethics Standards/Guidance.

3. Proposed Revisions to Section 450 “Practice Promotion”

The Committee considered Section 450, a Professional Ethics Statement developed by the Institute prior to the adoption of the IFAC Code of Ethics, in the light of Section 250 “Marketing Professional Services” which is adopted from the IFAC Code of Ethics, and had the following observations:

- a. Section 450 applies to all members of the Institute while Section 250 applies to professional accountants in public practice only.
- b. Section 250 in itself is insufficient and is difficult to be enforced in disciplinary actions.
- c. The principles of practice promotion set out in Section 450 are useful and can be retained to supplement Section 250.
- d. Since some competitors of member practices can advertise freely as they are not bound by the Institute’s ethical requirements, there should not be specific prohibitions on practice promotion so as to provide a level playing field.

- e. The prohibitions set out in Section 250 can be retained as examples of marketing activities that would bring the profession into disrepute.

The Committee agreed to incorporate a number of paragraphs from Section 450 into Section 250 by redrafting them using the principles-based approach. The secretariat was requested to prepare a draft for consideration by the Committee.

4. Proposed Revisions to Section 432 “Integrity, Objectivity and Independence in Insolvency”

The Committee noted the decision of the Insolvency Practitioners Committee to defer its revision of Section 432 until the Institute of Chartered Accountants in England and Wales (ICAEW) has completed its review of the UK Statement 1.202 “Insolvency Practice” on which the proposed revised Section 432 would be based. It was noted that the ICAEW’s review is expected to be completed later this year.

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