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Accountants find ally in promotion of self-regulation

By EVA TO

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THE Stock Exchange of Hongkong and the Hongkong Society of Accountants are joining together to help each other's self-regulation.

The two bodies recently began a new mechanism aimed at reinforcing each other's efforts in monitoring the quality of financial statements of listed companies, according to exchange surveillance head Paul Phenix.

Under the new system, an exchange representative — at the moment Mr Phenix — will sit on the society's professional standards monitoring committee.

According to society president Anthony Yung Kong-pui, the committee will continue to be funded and directed by the society, but the new arrangement will hopefully improve the effectiveness of each other's surveillance efforts.

Under the new arrangement, the committee will be expanded to a membership of five and supported by a team of 10 paid monitors with accountant qualifications.

Mr Yung said he believed the joint exercise would also help its members by ensuring that listed companies' financial statements were properly done.

Like other limited companies, all financial statements of listed companies must be examined by external auditors, which by law

must be member of the society.

The auditor's primary job is to express a view on whether the statement presents a true and fair view of the company's affairs.

In addition, some other society members might be involved in the preparation of the listed companies' accounts.

Mr Yung said the society's primary concern was to ensure that the quality of work of its members was measuring up to the required standard.

He said some auditors had difficulties in convincing listed companies to improve their accounting procedures when such shortfalls were not seen to have an adverse effect on the financial position of the company.

Despite the auditors having the power to "qualify" statements, he said, the move would only be taken under extreme conditions. Though many such circumstances did not warrant a qualification of accounts, improvements were still needed, he said.

But with the new mechanism, he believed listed companies would be more willing to improve their financial statements as the exchange could issue orders to the companies.

Mr Phenix said the exchange was prepared to share costs incurred by the joint system.