



Hong Kong Institute of Certified Public Accountants takes regulatory action against two certified public accountants (practising) and a corporate practice

(HONG KONG, 7 May 2020) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Miss Lam Pik Wah, certified public accountant (practising) (A18103), Miss Yeung Kit Kam, Lesley, certified public accountant (practising) (A11572) and BDO Limited (M0200) (collectively, “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

BDO audited the consolidated financial statements of China Energy Development Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, “Group”) for the year ended 31 December 2013 and expressed an unmodified auditor’s opinion. Lam was the engagement director and Yeung was the engagement quality control reviewer.

The Group acquired a subsidiary in Mainland China which had entered into a project for exploration, development and production of oil and natural gas in the Mainland. Approval to begin development of the project had not been obtained from the Chinese government. However, the Group’s interest in the project and the exploration costs incurred were recognized as assets in the financial statements.

The audit team engaged an independent valuer to assess the valuation of the project that had been undertaken by management. The working papers showed that the audit team did not perform adequate procedures, or prepare adequate documentation, in respect of assessing the independent valuer’s and management’s assumptions on forecast production and sales volumes, expected selling price of products and discount and risk premium rates used in the valuation.

The Institute concluded as follows:

- (i) Lam and BDO failed or neglected to observe, maintain or otherwise apply the following professional standards:
 - Hong Kong Standard on Auditing (“HKSA”) 230 *Audit Documentation*;
 - HKSA 500 *Audit Evidence*; and
 - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.
- (ii) Yeung failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council of the Hong Kong Institute of Certified Public Accountants concluded that the following should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. they be reprimanded; and
3. each of the Respondents pay an administrative penalty of HK\$25,000 and they jointly pay costs of the Institute and the Financial Reporting Council totalling HK\$172,537.50.

About Resolution by Agreement

In order to better serve the interests of the public and the profession, the Hong Kong Institute of Certified Public Accountants ("HKICPA") ensures complaints are dealt with in an effective and transparent manner. In accordance with Council powers outlined in the Professional Accountants Ordinance, a Resolution by Agreement ("RBA") may be offered in uncontested cases considered to be moderate after taking into account the nature and gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty, which are handled through a separate disciplinary process.

The RBA includes a mandatory public censure which entails publication of the name of the respondent, facts of the case and areas of non-compliance with professional standards. Information on the Institute's complaint handling process and guidelines for Resolutions by Agreement are available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

- End -

About HKICPA

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 45,000 members and 19,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

Hong Kong Institute of CPAs' contact information:

Ms Gemma Ho
Public Relations Manager
Phone: 2287-7002
Email: gemmaho@hkipa.org.hk

Ms Rachel So
Head of Corporate Communications and Member Services
Phone: 2287-7085
Email: rachelso@hkipa.org.hk