



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants takes regulatory action against a firm of certified public accountants (practising)

(HONG KONG, 1 September 2014) — The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against a firm of certified public accountants (practising), Leslie Cheng & Co., as a just and proper resolution for the complaint lodged against the firm for non-compliance with professional standards.

The complaint concerned the firm's failure to act with sufficient diligence to identify material understatement of liabilities in the audits of financial statements for two consecutive years. During the course of the audits, the firm was provided with information indicating that the client entity had undertaken contract work which was completed with remaining unpaid contract amounts. The firm admitted that it had omitted to carry out further procedures to identify the unpaid contract amounts which represented material liabilities that should have been included in the financial statements. The Institute concluded that the firm was in breach of paragraphs 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants – "*Professional Competence and Due Care*".

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council concluded that the following Resolution should resolve the complaint:

1. The firm acknowledges the facts of the case and areas of its non-compliance with reference to the professional standards;
2. The firm be reprimanded; and
3. The firm is directed to pay an administrative penalty of HK\$10,000.

In accordance with Council powers outlined in the Professional Accountants Ordinance and as a part of the regulatory process to handle complaint, a Resolution may be offered to respondents in cases considered to be moderate after taking into account factors including, but not limited to, the nature and seriousness of a complaint, past disciplinary records of the respondents and any aggravating or mitigating circumstances. A Resolution will not be offered in cases involving complaints of dishonesty.

Information on the Institute's complaint handling process and guidelines for Resolution is available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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About the Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 37,000 members and more than 17,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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