



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 3 December 2015) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered cancellation of the practising certificate of Lo Shung Chi (membership number A24966) with effect from 28 October 2015 and no issuance of a practising certificate to him for one year. He was also ordered to pay penalties of HK\$100,000. The Committee reprimanded Ngai Wai Chung (membership number F04192) and Jonten Hopkins CPA Ltd (corporate practice number M186) and ordered them to pay penalties of HK\$40,000 and HK\$80,000 respectively. The three respondents were ordered to jointly and severally pay costs of the disciplinary proceedings of HK\$32,500.

The corporate practice audited the financial statements of a listed company in Hong Kong for the year ended 30 September 2010 and expressed an unmodified auditor's opinion. Lo was the engagement director who signed the relevant report and Ngai was the engagement quality control reviewer ("EQCR").

The Institute received information from the Financial Reporting Council about non-compliance with professional standards in the audit work conducted by the corporate practice on the recognition and valuation of mining and exploration rights acquired by the company. After considering the information available, the Institute lodged complaints under sections 34(1)(a)(vi) and 34(1)(a)(viii) of the Professional Accountants Ordinance (Cap.50).

The three respondents admitted the complaints against them. The Disciplinary Committee found that:

- (1) The corporate practice was in breach of a number of auditing standards;
- (2) All three respondents were in breach of "Professional Competence and Due Care", namely section 100 and 130, of the Code of Ethics for Professional Accountants; and
- (3) Lo and the corporate practice were guilty of professional misconduct, resulting from their failure to comply with a number of auditing standards.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against the respondents under section 35(1) of the ordinance.

Under the ordinance, if the respondents are aggrieved by the order, they may give notice of an appeal to the Court of Appeal within 30 days after they are served the order.

The order and findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at www.hkicpa.org.hk.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. Three members of each committee, including a chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interest of justice. A hearing schedule is available at the Institute's website. A CPA who feels aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions include temporary or permanent removal from membership or cancellation of a practicing certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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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 39,000 members and 18,000 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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