



Dear Assignment/News/Business Section Editor

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

(HONG KONG, 14 January 2016) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Choi Man Chau, Michael (membership number F01453), Chan Kin Wai (membership number A24477) and Pan China (HK) CPA Limited (corporate practice number M268) on 21 December 2015 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Choi and Chan to each pay a penalty of HK\$12,000 and Pan China to pay a penalty of HK\$50,000. In addition, the respondents were ordered to pay costs and expenses of disciplinary proceedings of the Institute and the Financial Reporting Council ("FRC") in the total sum of HK\$83,215.60, to be shared equally by them.

Pan China audited the financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2010 and expressed an unmodified auditor's opinion. Choi was an engagement director who signed the audit report and Chan was the engagement quality control reviewer.

The Institute received a referral from the FRC about non-compliance with professional standards in the audit work carried out by Pan China on the valuation of mining rights acquired by the company. After considering the information available, the Institute lodged a complaint under sections 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap 50).

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

- (1) Choi and the corporate practice were in breach of Hong Kong Standards on Auditing ("HKSAs") 230 *Audit Documentation* and 500 *Audit Evidence*;
- (2) Chan was in breach of HKSA 220 *Quality Control for an Audit of Financial Statements*; and
- (3) Choi and Chan were in breach in the Fundamental Principle of *Professional Competence and Due Care* in sections 100 and 130 of the Code of Ethics for Professional Accountants.

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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