



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants takes regulatory action against a firm of certified public accountant

(Hong Kong, 13 April 2016) - The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against PricewaterhouseCoopers (PwC) (firm no. 0034), for its failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

PwC audited the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 March 2012. The relevant financial statements contained an understatement of tax expenses arising from the gain on disposal of certain properties held by a PRC subsidiary. PwC failed to detect the error and issued an unmodified opinion in the relevant financial statements.

The Institute concluded that PwC was in breach of paragraph 13 of Hong Kong Standard on Auditing (HKSA) 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* and paragraph 6 of HKSA 500 *Audit Evidence* for failure to design and perform audit procedures to obtain sufficient appropriate audit evidence that could support their conclusion regarding the PRC tax expenses and the listed company's compliance with the PRC tax laws and regulations.

Regulatory action

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

1. PwC acknowledges the facts of the case and its non-compliance with the relevant professional standards;
2. PwC be reprimanded; and
3. PwC pay an administrative penalty of HK\$35,000 and costs of HK\$39,655.90, which included costs incurred by the Financial Reporting Council of HK\$29,655.90

In accordance with Council powers outlined in the Professional Accountants Ordinance and as a part of the regulatory process to handle complaints, a Resolution by Agreement (RBA) 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. An RBA 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 39,000 members and more than 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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