



Dear Assignment / News / Business Section Editor

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

(Hong Kong, 13 April 2016) - The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against Tong Kwong Lit, Kenneth, a certified public accountant (practising) (membership no.:F00964), for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

Tong is the sole proprietor of Kenneth Tong & Co., a firm which audited the financial statements of two private companies for the years ended 31 March 2006 to 31 March 2013. The following deficiencies were found in the audits:

1. Tong inappropriately accepted a failure to make required disclosures concerning an amount due to a related party in the financial statements.
2. There were recurrent management-imposed limitations of audit scope on properties and inventory over the years. In the face of these limitations, Tong failed to give due consideration, or properly document his consideration, of the appropriateness of continuing to accept appointment as auditor of the companies.
3. Tong inappropriately accepted the non-disclosure in the financial statements of the fact that an item stated to be a balance between the company and a shareholder was in fact a balance between the company and the wife of the deceased shareholder.

The Institute concluded that Tong was in breach of the following Hong Kong Standards of Auditing (HKSA):

- HKSA 220 *Quality control for audits of historical financial information* (issued 2004) and HKSA 220 *Quality control for an audit of financial statements* (issued 2009),
- HKSA 550 *Related Parties*, and
- HKSA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*

Regulatory action

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

1. Tong acknowledges the facts of the case and his non-compliance with the relevant professional standards;
2. Tong be reprimanded; and

3. Tong pays an administrative penalty of HK\$20,000 and costs 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 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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