



Dear Assignment / News / Business Section Editor

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

(Hong Kong, 15 November 2016) - The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against Wai Siu Hung, Bennett, a certified public accountant (practising) (membership number A10216), Tong Ka Yan, Augustine, a certified public accountant (practising) (membership number A15240) and Ernst & Young (firm number 0422) for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

In April 2015, Ernst & Young issued an unmodified audit report on the financial statements of a Hong Kong listed company and its subsidiaries ("Group") for the year ended 31 December 2014. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). Wai was the engagement partner and Tong was the engagement quality control reviewer.

The audited financial statements recorded the Group's disposal of a subsidiary group during the year. A premium arising from the previous acquisition of a non-controlling interest in the subsidiary group was incorrectly transferred to profit and loss on the disposal of the group, contrary to IFRS 10. As a result, the gain on discontinued operations was materially understated. In May 2015, the Group issued amended financial statements for the year ended 31 December 2014 in which the misstatement was adjusted. Ernst & Young issued an unmodified audit report on the amended financial statements. In June, the company issued a clarification announcement about the misstatement.

The Institute concluded that Wai, Tong and Ernst & Young were in breach of the Fundamental Principle of Professional Competence and Due Care in sections 100.5 and 130 of the Code of Ethics for Professional Accountants.

Regulatory action

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

1. Wai, Tong and Ernst & Young acknowledge the facts of the case and their non-compliance with the relevant professional standard;
2. Each of Wai and Ernst & Young pay an administrative penalty of HK\$30,000, and Tong pay an administrative penalty of HK\$15,000; and
3. All three respondents be reprimanded and jointly pay 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 40,000 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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