



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Dear Assignment / News / Business Section Editor

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

(HONG KONG, 1 June 2017) — The Hong Kong Institute of Certified Public Accountants has undertaken regulatory action against Kay Man Wo, a certified public accountant (practising) (membership number A09769) and Chen Ping Him, a certified public accountant (practising) (membership number A05695) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

Kay was the engagement partner and Chen was the engagement quality control reviewer of a firm which audited the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2014.

The consolidated financial statements failed to reflect an impairment of the group's available-for-sale financial assets in profit or loss. This was a breach of the relevant accounting standards and the effect was material under the materiality benchmark set for the audit. Kay and Chen inappropriately accepted that no impairment of the financial assets was required to be recognised in profit or loss. They agreed to express an unmodified audit opinion on the financial statements. The breach would not have been material had it been measured against an alternative materiality benchmark which the firm considered should have been applied to this audit.

The Institute concluded that Kay and Chen were in breach of the Fundamental Principle of *Professional Competence and Due Care* in 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. Kay and Chen acknowledge the facts of the case and their non-compliance with the relevant professional standards; and
2. they 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 are 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 20,000 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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