



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 21 June 2017) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Pan-China (H.K.) CPA Limited (corporate practice number M268), Tsang Chiu Keung (membership number A25104) and Chan Kin Wai (membership number A24477) on 17 May 2017 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Pan-China to pay a penalty of HK\$80,000, Tsang to pay a penalty of HK\$50,000 and Chan to pay a penalty of HK\$60,000. In addition, the three 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\$125,385.30, to be shared equally by them.

Pan-China audited the financial statements of a Hong Kong listed company and its subsidiaries for the years ended 31 December 2010 and 31 December 2011 and expressed an unmodified auditor's opinion for each of the two years. Tsang was an engagement director who signed the audit reports and Chan was the engagement quality control reviewer ("EQCR") for the 2011 audit.

The Institute received a referral from the FRC about non-compliance with professional standards in the audit work conducted by Pan-China concerning impairment assessment of the company's interests in two natural resource extraction and mining projects included in the financial statements. After considering the information available, the Institute lodged complaints under section 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap 50).

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

- (1) Pan-China and Tsang were in breach of auditing standards as a result of deficiencies in the audit procedures performed during the 2010 and 2011 engagements, and their failure to ensure the EQCR for the 2010 audit had sufficient and appropriate experience and authority;
- (2) Pan-China and Tsang were in breach of the Fundamental Principle of *Professional Competence and Due Care* in the Code of Ethics for Professional Accountants as a result of the significant deficiencies found in the 2010 and 2011 audits; and
- (3) Chan was in breach of Hong Kong Standard on Auditing 220 for failing to adequately perform the engagement quality control review in the 2011 audit.

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 he is 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 the 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.

– End –

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.

Hong Kong Institute of CPAs' contact information:

Margaret Lam
Head of Member and Public Relations
Phone: 2287-7053
Email: margaret@hkicpa.org.hk