



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 12 October 2017) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Tse Lap Fu, Lawrence, certified public accountant (practising) (membership number F03636) on 5 September 2017. In addition, the Committee ordered the practising certificate issued to Tse be cancelled on 15 October 2017 and a practising certificate shall not be issued to him for six months. The Committee further ordered Tse to pay a penalty of HK\$50,000 and costs of the disciplinary proceedings of HK\$123,108.

Tse was the sole proprietor of a CPA firm. The Institute enquired into a complaint about improper audits carried out by the firm and found deficiencies in its audits of the financial statements of five private companies. The deficiencies related to the performance and documentation of audit procedures carried out on related party transactions, deferred tax, inventory and evaluation of whether the financial statements were prepared in accordance with the applicable financial reporting framework. In addition, Tse's firm acted as auditor of one of the companies when it had a close business relationship with that company.

After considering the information available, the Institute lodged complaints under section 34(1)(a)(vi) and 34(1)(a)(viii) of the Professional Accountants Ordinance (Cap 50).

Tse admitted the complaints against him. The Disciplinary Committee found that Tse was in breach of Hong Kong Standard on Auditing ("HKSA") 230, HKSA 500, HKSA 501, HKSA 550, HKSA 700 and the Fundamental Principle of *Independence* in the Code of Ethics for Professional Accountants. The Committee further found that, in view of Tse's multiple breaches of professional standards, he was guilty of professional misconduct.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Tse under section 35(1) of the ordinance.

Under the ordinance, if the respondent is aggrieved by the order, he 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 <http://www.hkicpa.org.hk>.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the Professional Accountants Ordinance by a five-member Disciplinary Committee. Three members of each committee, including a chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other remaining two members 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 with (where appropriate) an order that a practice certificate shall not be issued either permanently or temporarily, 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 41,000 members and 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.

Hong Kong Institute of CPAs' contact information:

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