



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

(HONG KONG, 25 January 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Baker Tilly Hong Kong Limited (corporate practice number M154), Andrew David Ross, certified public accountant (practising) (membership number A01858) and Kwok Lai Ha, Helena, certified public accountant (practising) (membership number A19044) on 12 December 2017. In addition, the Committee ordered each of Baker Tilly, Ross and Kwok to pay a penalty of HK\$100,000, HK\$70,000 HK\$30,000 respectively. Further, the three respondents were ordered to pay HK\$300,000 towards the costs of the disciplinary proceedings.

Baker Tilly expressed an unqualified audit opinion on the consolidated financial statements of China North East Petroleum Holdings Limited ("Company"), a U.S. listed company, and its subsidiaries for the year ended 31 December 2009. The audit was required to be conducted in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB"). Ross was the engagement director and Kwok was the director-in-charge.

The U.S. Securities and Exchange Commission initiated disciplinary proceedings against the respondents after finding they had breached PCAOB auditing standards. The respondents failed to identify material transactions between the Company and its directors as related party transactions and revise the audit planning regarding fraud risks in light of those transactions. In December 2014, the respondents agreed with the Commission that sanctions be imposed on them without their admission of the audit deficiencies.

After considering the information available, the Institute lodged a complaint under section 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap 50). The respondents admitted the complaint against them. The Disciplinary Committee found that the respondents were in breach of the fundamental principle of *Professional Competence and Due Care* under sections 100.4(c) and 130.1 of the Code of Ethics for Professional Accountants.

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.

About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accountants (HKICPA) enforces the highest professional and ethical standards in the accounting profession. Governed by the Professional Accountants Ordinance (Cap. 50) and the Disciplinary Committee Proceedings Rules, an independent Disciplinary Committee is convened to deal with a complaint referred by Council. If the charges against a member, member practice or registered student are proven, the Committee will make disciplinary orders setting out the sanctions it considers appropriate. Subject to any appeal by the respondent, the order and findings of the Disciplinary Committee will be published. For more information, please see:

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

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About HKICPA

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 42,000 members and 18,000 registered students. Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre. The CPA designation is a top qualification recognized globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

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