



HKICPA takes disciplinary action against a corporate practice and two certified public accountants (practising)

(HONG KONG, 12 February 2018) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Andrew David Ross (A01858), Mr. Fok Wai Ming (A14447) and Baker Tilly Hong Kong Limited ("BTHK") (M0154) (Collectively "Respondents") on 5 January 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Ross, Fok and BTHK to pay penalties of HK\$100,000, HK\$100,000 and HK\$ 250,000 respectively. All Respondents were ordered to pay costs and expenses of disciplinary proceedings of the Institute and the costs of Financial Reporting Council ("FRC") in the total sum of HK\$124,448.30, to be shared equally by them. Fok was ordered to pay HK\$14,912 for the additional costs incurred in his case.

BTHK audited the financial statements of a Hong Kong listed company, Century Ginwa Retail Holdings Limited (formerly known as China Golden Development Holdings Limited) and its subsidiaries for the years ended 31 December 2008 and 2009 ("Financial Statements"). Ross was the director who issued the auditor's reports on behalf of BTHK and Fok, as a senior audit team member, was substantially involved in the audits of the Financial Statements.

The Institute received a referral from the FRC about auditing irregularities relating to the listed company's non-compliance with financial reporting standards regarding the recognition and/or measurement of (i) assets and liabilities relating to the acquisition of a subsidiary; (ii) impairment loss on goodwill; (iii) revenue transactions relating to customer loyalty program; (iv) depreciation of certain leasehold improvements; (v) social insurance; and (vi) contingent rentals in the Financial Statements.

After considering the information available, the Institute lodged complaints against the Respondents 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:

- i) BTHK was in breach of Hong Kong Standard on Auditing ("HKSA") 230, HKSA 320, HKSA 500, HKSA 520, HKSA 540, HKSA 545, HKSA 620 and HKSA 700.
- ii) BTHK was also in breach of Hong Kong Standard on Quality Control 1 for failing to have adequate policies and procedures to ensure clear assignment of an engagement director and engagement quality control reviewer;
- iii) Ross and Fok failed to act diligently in accordance with section 100.4 (c), as elaborated in section 130.1 of the then applicable Code of Ethics for Professional Accountants; and
- iv) Ross was in breach of HKSA 220 for failure to carry out an objective engagement quality control review.

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/>

– End –

About the Hong Kong Institute of Certified Public Accountants

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 recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

HKICPA contact information:

Gemma Ho
Manager, Public Relations
Phone: 2287-7002
Email: gemmaho@hkicpa.org.hk

Terry Lee
Director, Marketing and Communications
Phone: 2287-7209
Email: terrylee@hkicpa.org.hk