



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

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

(HONG KONG, 14 March 2018) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 31 January 2018 that the name of Seto Man Fai, certified public accountant (practising) (membership number A08347) be removed from the register of CPAs for 5 years with effect from 22 March 2018. In addition, Seto was ordered to pay HK\$523,697.20 towards costs of the Institute and the Financial Reporting Council (FRC).

Seto was the managing director of a corporate practice, Parker Randall CF (H.K.) CPA Limited, which is now de-registered. The corporate practice audited the consolidated financial statements of three Hong Kong listed companies, namely Grand TG Gold Holdings Limited, Global Green Tech Group Limited and Sage International Group Limited, for financial periods ended in 2010 and 2011. Seto was the engagement director of those audits.

The Institute received several referrals from the FRC about breaches of auditing standards in the relevant audits and the conduct of Seto during the FRC's enquiry. Seto failed to provide any working paper for the audits, claiming they were either lost or withheld by a third party. He repeatedly gave inconsistent and unbelievable explanations to the FRC as to why the working papers were unavailable. There were irregularities found in the audits in relation to accounting for an acquisition, use of the going concern basis and failure to appoint an engagement quality control reviewer.

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

Seto began the proceedings by denying the complaints against him, only admitting them late in the proceedings. The Disciplinary Committee found that Seto was in breach of the fundamental principle of Integrity in the Code of Ethics for Professional Accountants (the Code) in his explanations to the FRC on why the audit working papers could not be produced. In addition, the Committee found that he was in breach of Hong Kong Standard on Quality Control 1, Hong Kong Standard on Auditing (HKSA) 220, HKSA 500, HKSA 570, HKSA 700 and the fundamental principle of Professional Competence and Due Care in the Code. The Committee further found that, in view of Seto'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 under section 35(1) of the Professional Accountants Ordinance. In making the order, the Committee observed that this was a serious case of professional misconduct, the audits of listed companies clearly involved public interest, and the complaints involved conduct whereby the respondent hindered and unnecessarily prolonged the investigation by the FRC. The Committee further noted

Seto admitted the complaints at a late stage when preparation for the substantive hearing had begun.

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 recognised 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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