



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) and a firm

(HONG KONG, 9 April 2018) On 8 September 2015, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants found that Wong Tak Man, Stephen, a certified public accountant (practising) (membership number F02863) and RSM Hong Kong (formerly known as RSM Nelson Wheeler) (firm number 1140) (collectively "Respondents") failed or neglected to observe, maintain or otherwise apply a professional standard issued by the Institute.

The two Respondents were each ordered to pay a penalty of HK\$10,000 and jointly pay costs and expenses of the disciplinary proceedings of the Institute in the total sum of HK\$95,401.

In handing down sanctions, the Disciplinary Committee imposed a restriction on the Institute regarding the publication of the sanctions ordered, save with the Respondents' consent.

The Respondents refused their consent and challenged the disciplinary order.

In October 2015, the Respondents appealed the Disciplinary Committee's decision and the matter was dismissed by the Court of Appeal (CACV 233/2015) in July 2016. The Respondents sought leave to appeal to the Court of Final Appeal on grounds of Great General Public Importance. Leave to appeal to the Court of Final Appeal was granted and, after hearing the parties, the Court of Final Appeal (FACV 10/2017) dismissed the Respondents' appeal on 22 December 2017.

Since the handing down of the Disciplinary Committee's decision, the Respondents have been disputing the extent of the Disciplinary Committee's Order on the publication of sanctions and the publication of the Disciplinary Committee's decision.

Following clarification from the Disciplinary Committee, and the Institute's indication that it would proceed with the publication of the Disciplinary Committee decision in accordance with the Disciplinary Committee clarification, the Respondents agreed to the Institute publishing the full disciplinary decision and order.

On 28 October 2009, RSM Nelson Wheeler issued an unmodified auditor's report on the financial statements of Heng Tai Consumables Group Limited and its subsidiaries ("Group") for the year ended 30 June 2009. Wong was the engagement partner.

In November 2012, the Institute received a referral from the Financial Reporting Council ("FRC") regarding the Group's treatment of an available-for-sale ("AFS") financial asset, which had suffered significant decline in fair value. The FRC considered that Respondents' issuance of an unmodified auditor's report was inappropriate.

After considering the information available, the Institute lodged a complaint against the Respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

The Disciplinary Committee found that in the audit of the financial statements the Respondents failed to properly interpret Hong Kong Accounting Standard 39 Financial Instruments: Recognition and Measurement, which requires an entity to recognize an impairment loss in profit or loss for an AFS financial asset when objective evidence of impairment exists.

The full findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at www.hkicpa.org.hk. Copies of the decisions of the Court of Appeal and the Court of Final Appeal are available on the Hong Kong judiciary website.

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 a 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 practising certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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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 42,000 members and more than 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.

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