



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

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

(HONG KONG, 27 June 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Baker Tilly Hong Kong Limited (M0154) ("BTHK") and Mr. Au Yiu Kwan (F04855) (collectively "Respondents") on 24 May 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee ordered BTHK and Au to pay penalties of HK\$250,000 and HK\$100,000 respectively. In addition, the Respondents were ordered to pay costs of HK\$156,669.90 which include the costs of the Financial Reporting Council ("FRC").

BTHK audited the financial statements of a Hong Kong listed company, EganaGoldfeil (Holdings) Limited and its subsidiaries for the year ended 31 May 2006 ("2006 Financial Statements"). Au was the director who had substantial involvement in the audit of the 2006 Financial Statements.

The Institute received a referral from the FRC about auditing irregularities in relation to the audit of the 2006 Financial Statements in respect of certain sales and purchase transactions and the impairment assessment of (i) intangible assets; (ii) available-for-sale financial assets; (iii) other receivables; and (iv) promissory notes.

After considering the information available, the Institute lodged complaints against the Respondents under sections 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") 200, HKSA 240, HKSA 500, HKSA 540, HKSA 545, HKSA 550 and HKSA 620;
- ii) BTHK was also in breach of Hong Kong Standard on Quality Control 1 for failing to have adequate policies and procedures to ensure an independent engagement quality control reviewer had been appointed and/or an objective engagement quality control review had been performed; and
- iii) Au failed to diligently carry out the audit of 2006 Financial Statements in accordance with 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/>

- End -

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.

Hong Kong Institute of CPAs' 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