



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 two certified public accountants (practising) and a corporate practice**

(HONG KONG, 2 August 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 (M0154) on 20 June 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 Baker Tilly to pay penalties of HK\$100,000, HK\$100,000 and HK\$250,000 respectively. In addition, the three respondents were ordered to pay jointly and severally costs and expenses of disciplinary proceedings of the Institute and the costs of the Financial Reporting Council (FRC) in the total of HK\$117,372.20.

Baker Tilly was a newly appointed auditor who audited the consolidated financial statements of Code Agriculture (Holdings) Limited, a company listed in Hong Kong, and its subsidiaries for the year ended 31 March 2012 (2012 Financial Statements) and expressed an unmodified auditor's opinion. Ross was a director of Baker Tilly who issued the auditor's report on behalf of the corporate practice. Fok was a director of Baker Tilly substantially involved in the audit.

The Institute received a referral from the FRC about auditing irregularities in relation to the audit of the 2012 Financial Statements. The group's financial statements in the previous years included errors in the accounting treatment of a substantial acquisition. Those errors affected the opening and year-end balances and comparative information in the 2012 Financial Statements which pertained to the acquisition. Deficiencies were found in the audit procedures conducted by the respondents on the balances pertaining to the acquisition. Furthermore, Baker Tilly did not have adequate policies and procedures to ensure clear designation of an engagement director and appointment of an engagement quality control reviewer (EQCR) in the audit of the 2012 Financial Statements.

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

The Disciplinary Committee found that:

- (i) Baker Tilly was in breach of Hong Kong Standard on Auditing (HKSA) 200, HKSA 230, HKSA 500 and HKSA 510;
- (ii) Ross and Fok were in breach of section 100.5(c), as elaborated in section 130.1, of the Code of Ethics for Professional Accountants for their failure to act diligently in the audit;

- (iii) Ross, whom Baker Tilly asserted to be an EQCR in the audit, was in breach of HKSA 220 for his failure to objectively evaluate the significant judgements and conclusions of the audit team; and
- (iv) Baker Tilly was in breach of Hong Kong Standard on Quality Control 1 for its failure to maintain adequate policies and procedures to ensure clear assignment of responsibility to an engagement director and appointment of an EQCR.

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. The Committee noted from evidence presented in the disciplinary proceedings that the breaches identified were a manifestation of a systemic problem in the respondents' audits, which included audits of listed companies that could have adversely affected public investors' interests.

#### 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 16,000 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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