



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

(HONG KONG, 6 August 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants made an order on 26 June 2018 against Seto Man Fai, a former practising certified public accountant (A08347) whose name was removed from the register for five years from 22 March 2018 pursuant to an earlier disciplinary order. The Committee ordered that a practising certificate shall not be issued to Seto for 12 months with effect from 21 March 2023. In addition, the Committee ordered Seto to pay costs and expenses of disciplinary proceedings of the Institute and the costs of the Financial Reporting Council (FRC) in the total of HK\$277,705.60.

Seto was previously a director of a corporate practice, Parker Randall CF (H.K.) CPA Limited, which has now been de-registered. The corporate practice audited the consolidated financial statements of Sage International Group Limited, a company listed in Hong Kong, for the year ended 31 March 2011 and the period ended 31 December 2011 and expressed unmodified auditor's opinions. Seto was the engagement director of those audits.

The Institute received a referral from the FRC about irregularities in relation to the audits. There were significant deficiencies in the accounting treatment of certain acquisition transactions, convertible bonds issued and share options and warrants granted which were included in the financial statements. Seto claimed that relevant audit procedures were carried out on those items but he failed to provide any working papers, claiming that they were withheld by a third party.

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).

The Disciplinary Committee found that Seto was in breach of Hong Kong Standard on Auditing (HKSA) 500, HKSA 540 and HKSA 700, and the fundamental principle of Professional Competence and Due Care in the Code of Ethics for Professional Accountants. The Committee further found that Seto was guilty of professional misconduct as a result of his multiple breaches of professional standards.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order under section 35(1) of the ordinance. The Committee noted that there was a need to safeguard public interest against significant accounting errors of a listed company, that the breaches of auditing standards were fundamental, and that the respondent was seriously incompetent. The Committee further noted the FRC did not accept Seto's assertion that relevant audit procedures had been carried out.

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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