



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants hands down a disciplinary decision against certified public accountants (practising) and a firm of CPAs

(HONG KONG, 24 December 2013) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants today handed down its decision against Ernst & Young ("EY"), Yen Kai Shun, Catherine ("Catherine Yen") and Wu Ting Yuk, Anthony ("Anthony Wu") in respect of their involvement in the auditing of the accounts of a group company. As against each of the respondents, the Disciplinary Committee found as follows:

EY was found guilty of failing or neglecting to observe, maintain or otherwise apply a professional standard, namely Statement 1.203 "Professional Ethics – Integrity, Objectivity and Independence", as they had, in their capacity as a firm registered with the Institute in public practice, failed to be, and to conduct themselves in a way seen to be, free of interest(s) which might detract from their objectivity in accepting or continuing the professional work they undertook in connection with the audit of a company or companies in the Group in respect of the financial years 31 December 1995 to 31 December 1997. The Disciplinary Committee found that EY had failed to have any or any adequate review machinery which would have alerted it to the risk of the appearance of its independence being impaired.

Catherine Yen was found guilty of failing or neglecting to observe, maintain or otherwise apply a professional standard, namely Statement 1.203 "Professional Ethics – Integrity, Objectivity and Independence", as she had, in her capacity as a member registered with the Institute in public practice, failed to be, and to conduct herself in a way seen to be, free of interest(s) which might detract from her objectivity in accepting or continuing the professional work she undertook in connection with the audit of a company or companies in the Group in respect of the financial years 31 December 1995 to 31 December 1997.

Anthony Wu was found guilty of professional misconduct, as a result of his failure to observe, maintain or otherwise apply the independence requirements of the Institute, namely Statements of Professional Ethics 1.200 "Professional Ethics – Explanatory Foreword" and Statement 1.203 "Professional Ethics – Integrity, Objectivity and Independence", in participating in the management of the company and/or otherwise having an involvement with the company and its subsidiaries whilst also a senior partner of EY who acted as auditors of the company in respect of the financial years ended 31 December 1995 to 31 December 1997, and whilst being a deemed auditor under section 131(9) of the Companies Ordinance, Cap. 32.

In the Disciplinary Committee's view, Anthony Wu, as a senior partner of EY, should have ensured that he carried out his professional life in a manner that would not raise the spectre of the appearance of independence being impaired. Instead Anthony Wu remained (a) as a member of the Executive Committee of an audit client, (b) was an authorized signatory to almost 13 bank accounts of the group company (a function usually perceived to be one of management), (c) had personal dealings involving considerable sums of money with the company's subsidiaries who were also audit clients of EY, (d) whilst at the same time a significant retainer was being paid to EY for Anthony Wu being the Financial Advisor, (e) making loans either personally or indirectly through a third party company to an audit client

of EY and (f) that Anthony Wu was a deemed auditor pursuant to section 131(9) of the Companies Ordinance (Cap. 32).

Hong Kong Institute of CPAs will file submissions on sanctions and costs with the Disciplinary Committee.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two members are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interests 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.

The 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 36,000 members and more than 17,000 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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