



Hong Kong Institute of Certified Public Accountants takes disciplinary action against two certified public accountants (practising) and a corporate practice

(HONG KONG, 10 December 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Lew Victor Robert (F02670) and Mr. So Kwok Keung, Keith (F01702), both certified public accountants (practising), and East Asia Sentinel Limited (M0032) (collectively, "Respondents") on 5 November 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee ordered the Respondents to pay penalties of HK\$55,000. In addition, the Respondents were ordered to pay costs of the disciplinary proceedings and the Financial Reporting Council ("FRC") totalling HK\$104,517.80.

East Asia issued an unmodified auditor's opinion on the financial statements of a Hong Kong listed company, South East Group Limited (now known as China Minsheng DIT Group Limited) for the year ended 31 March 2009. Lew was the engagement director and So was the engagement quality control reviewer of the audit.

The Institute received a referral from the FRC about irregularities in the audit. The company did not recognize a significant decline in the fair value of two listed, available-for-sale investments as an impairment loss in the financial statements, contrary to Hong Kong Accounting Standard 39. East Asia subsequently failed to detect this departure from accounting standards in forming the auditor's opinion.

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

The Respondents admitted the complaints against them. The Disciplinary Committee found that:

- (i) East Asia was in breach of Hong Kong Standard on Auditing ("HKSA") 700 *Forming an Opinion and Reporting on Financial Statements* and HKSA 230 *Audit Documentation*;
- (ii) Lew was in breach of the section 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants ("Code") for his failure to carry out his audit work with professional competence and due care in relation to the above breaches of HKSAs; and
- (iii) So was in breach of section 100.5(c) and 130.1 of the Code for his failure to diligently carry out the engagement quality control review in accordance with HKSA 220 *Quality Control for an Audit of Financial Statements*.

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 Accounts (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 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.

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