



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

(HONG KONG, 20 March 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Chan Chant Fai, certified public accountant (practising) (A00567) and Fairyard CPA Limited (M0388) (collectively "Respondents") on 12 February 2019 for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute. The Committee further ordered the Respondents to jointly pay a penalty of HK\$200,000 and costs of the Institute of HK\$35,134.

Fairyard audited the financial statements of a private company for the financial periods / years ended 31 March from 2005 to 2012. Chan was the engagement director.

At the time of the audits, an immediate family member of Chan was a director of the client company. This significant threat to auditor independence could have only been reduced to an acceptable level by Chan withdrawing from the audit team. Chan's failure to do so significantly compromised the independence of the audits.

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

The Disciplinary Committee found that the Respondents were in breach of section 290.128 of the Code of Ethics for Professional Accountants.

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 independence is a fundamental principle of the profession, and sufficient sanctions must be imposed for this breach to maintain public confidence in the profession. In mitigation, the Committee noted the private company was set up solely to handle assets of a family and had no outside creditors or debtors, and that the Respondents did not stand to make any financial gain.

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 43,000 members and 19,000 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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