



## **Hong Kong Institute of Certified Public Accountants takes disciplinary action against a firm and a certified public accountant**

(HONG KONG, 9 October 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ernst & Young (0422) ("EY") and Mr. Wu Kwok Keung, Andrew, certified public accountant (A01000) (collectively "Respondents") on 29 August 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee also ordered EY and Wu to pay penalties of HK\$350,000 and HK\$100,000 respectively, and jointly pay costs of the disciplinary proceedings in the sum of HK\$184,690.

EY expressed unmodified auditor's opinions on the consolidated financial statements of Moulin Global Eyecare Holdings Limited (formerly known as Moulin International Holdings Limited), a Hong Kong listed company, and its subsidiaries (collectively "Group") for the nine months ended 31 December 2002 and for the year ended 31 December 2003. Wu was the engagement partner of the audits.

In 2005, trading of the Group's shares were suspended and provisional liquidators were appointed for the company after it defaulted on repayment of its bank loans. The liquidators uncovered apparent accounting irregularities and certain senior personnel of the company were arrested. Having considered the available information, the Council of the Institute directed an investigation under the Professional Accountants Ordinance (Cap. 50) be conducted into EY's audit of the Group's financial statements for the year ended 31 December 2003. The investigation was subsequently delayed because the Institute was prevented from obtaining the audit working papers while criminal investigation and legal actions taken by the liquidators were ongoing.

In 2008, the Council considered information revealed in the liquidators' legal actions and expanded the scope of the investigation to cover EY's audit of the Group's financial statements for the nine months ended 31 December 2002. The Council also directed an investigation be undertaken into the conduct of certified public accountants responsible for the preparation of the Group's financial statements during the relevant periods. An Investigation Committee was subsequently formed and investigation work commenced on these certified public accountants as well as the Group's auditors. The departure of audit staff and seizure of certain audit working papers by relevant authorities affected the progress of the investigation of EY.

In November 2017, the Investigation Committee completed the investigation of EY and found that the Respondents would have a case to answer regarding audit deficiencies in the areas of the Group's sales, tax liabilities, and loans and prepayments to third parties.

On the basis of the findings set out in the report of the Investigation Committee, a complaint was lodged against the Respondents under section 42C(1) of the ordinance.

The Respondents admitted the complaint against them. The Disciplinary Committee found that the Respondents failed or neglected to observe, maintain or otherwise apply Statement of Auditing Standards ("SAS") 100 *Objective and General Principles Governing an Audit of Financial Statements*, SAS 230 *Documentation*, and SAS 400 *Audit Evidence*.

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 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 44,000 members and 17,000 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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