



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

(HONG KONG, 24 October 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ms. Lam Pik Wah (A18103) and BDO Limited (M0200) on 12 September 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 jointly and severally a penalty of HK\$100,000 and costs of the Institute and the Financial Reporting Council (FRC) in the total of HK\$134,394.60.

BDO was the auditor of the financial statements of China Sandi Holdings Limited, a Hong Kong listed company (Company), and its subsidiaries for the year ended 31 March 2012. It issued an unmodified auditor's opinion with an emphasis of matter paragraph. Lam was the director responsible for the audit engagement.

The Institute received a referral from the FRC about non-compliance with professional standards in the audit work carried out by the respondents. The Company acquired a target group in 2012, and a major shareholder of the Company had injected a sum of RMB200 million into the acquired group prior to the acquisition. Based on certain audit evidence, the respondents concurred with the Company's accounting for the injected sum as equity of the acquired group in the calculation of the gain on purchase. However, other evidence obtained by the respondents during the audit suggested that the sum was a liability instead of equity of the acquired group. The respondents did not perform additional audit procedures to resolve this apparent inconsistency in the evidence.

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

The Disciplinary Committee found that the respondents failed to comply with Hong Kong Standard on Auditing 500 *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 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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