



Dear Assignment / News / Business Section Editor

Hong Kong Institute of CPAs takes disciplinary action Against a certified public accountant (practising)

(HONG KONG, 23 July 2010) — On 18 June 2010, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Fung Kwok Leung (membership number F04046) and ordered him to pay to the Institute a penalty of HK\$45,000 due to his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

In addition, Fung was ordered to pay HK\$30,000 towards the costs of the disciplinary proceedings.

Fung is the sole proprietor of a firm of certified public accountants, K. L. Fung & Co., which audited the financial statements of a private company. The Institute received information indicating that in that audit, Fung accepted the application of the exemption provisions in section 141D of the Companies Ordinance for the preparation of the company's financial statements, but he failed to ensure that the shareholders of the company had all agreed in writing, in accordance with legal requirements, to the application of section 141D as a basis for preparing the company's financial statements. In addition, Fung failed to obtain sufficient appropriate audit evidence of the sales, purchases and inventories of the company.

After considering the information available, the Institute lodged complaints against Fung under section 34(1A) of the Professional Accountants Ordinance.

The Disciplinary Committee found, on Fung's admission, that he failed or neglected to observe, maintain or otherwise apply Statement of Auditing Standards 120 "Consideration of laws and regulations in an audit of financial statements" and Statement of Auditing Standards 400 "Audit Evidence."

Having taken into account the circumstances of the case, the Disciplinary Committee made the order as stated above against Fung.

Findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at www.hkicpa.org.hk.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the Professional Accountants Ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chair, are non-accountants chosen from a panel of lay persons 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 is 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 may include temporary or permanent removal from membership or cancellation of a practising certificate, a reprimand, a penalty of no more than \$500,000, and payment of costs and expenses of the proceedings.

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About the Hong Kong Institute of CPAs

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 30,000 members and 14,000 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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