



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants takes disciplinary action against a certified public accountant (practising), a certified public accountant and a firm of certified public accountants

(HONG KONG, 23 July 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ernst & Young ("EY") (firm number 0422) and Yen Kai Shun, Catherine ("Catherine Yen") (membership number F02309) on 22 July 2014. They were ordered to pay to the Institute penalties of HK\$150,000 and HK\$100,000 respectively for their failures or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Disciplinary Committee also ordered removal of the name of Wu Ting Yuk, Anthony ("Anthony Wu") (membership no. F02308) from the register of certified public accountants for a period of 2 years, and payment to the Institute of a penalty of HK\$250,000.

In addition, EY, Catherine Yen and Anthony Wu ("Respondents") were ordered to pay the costs of the disciplinary and investigation proceedings of HK\$2 million.

On 24 December 2013, the Disciplinary Committee handed down its determination against the Respondents in respect of their involvement in the auditing of the accounts of a group company. The Disciplinary Committee found as follows:

- (a) EY was found guilty of failing or neglecting to observe, maintain or otherwise apply a professional standard, namely Statement 1.203 "Professional Ethics – Integrity, Objectivity and Independence", as they had failed to be, and be seen to be, free of any interest which might detract from their objectivity in accepting or continuing the professional work they undertook in connection with the audit of a company or companies in the Group in respect of the financial years 31 December 1995 to 31 December 1997. The Disciplinary Committee found that EY had failed to have any or any adequate review machinery which would have alerted it to the risk of the appearance of its independence being impaired.
- (b) Catherine Yen was found guilty of failing or neglecting to observe, maintain or otherwise apply a professional standard, namely Statement 1.203 "Professional Ethics – Integrity, Objectivity and Independence", as she had failed to be, and be seen to be, free of any interest which might detract from her objectivity in accepting or continuing the professional work she undertook in connection with the audit of a company or companies in the Group in respect of the financial years 31 December 1995 to 31 December 1997.

- (c) Anthony Wu was found guilty of professional misconduct, as a result of his failure to observe, maintain or otherwise apply the independence requirements of the Institute, namely Statements of Professional Ethics 1.200 "Professional Ethics –Explanatory Foreword" and Statement 1.203 "Professional Ethics –Integrity, Objectivity and Independence", by participating in the management of or otherwise having an involvement with the company and its subsidiaries whilst also a senior partner of EY who acted as auditors of the company in respect of the financial years ended 31 December 1995 to 31 December 1997, and whilst being a deemed auditor under section 131(9) of the then Companies Ordinance, Cap. 32.

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 Professional Accountants Ordinance.

Under the ordinance, if the Respondents are aggrieved by the order, they may give notice of an appeal to the Court of Appeal within 30 days after they are served the order.

The Disciplinary Committee's Determination and Decision on Sanctions and Costs are available at the Institute's website under the "Compliance" section at <http://www.hkicpa.org.hk>.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chairman, are non-accountants chosen from a panel 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 feels 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 include temporary or permanent removal from membership or cancellation of a practising certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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About the Hong Kong Institute of Certified Public Accountants

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 37,000 members and more than 17,000 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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