



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

Dear Assignment / News / Business Section Editor

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

(HONG KONG, 30 December 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Tang Wai Hung (membership number A10201), Chow Chi Kit (membership number A14433) and W.H. Tang & Partners CPA Limited (corporate practice number M053) (collectively "respondents") on 17 November 2014 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee also ordered that (i) Tang and the corporate practice each pay a penalty of HK\$50,000 to the Institute; and (ii) Chow to pay a penalty of HK\$35,000 to the Institute. In addition, the respondents were ordered to pay costs of the disciplinary proceedings of HK\$23,673.20.

The corporate practice issued an unqualified opinion on the unaudited pro forma financial information of a group of companies ("**Unaudited PFI**") contained in a circular issued by a listed company in Hong Kong for the purpose of a substantial acquisition. The corporate practice also audited the financial statements of the listed company for the year ended 30 June 2010 ("**2010 Financial Statements**") and expressed an unmodified auditor's opinion on the 2010 Financial Statements. Tang is the engagement director of both engagements and Chow is the engagement quality control reviewer in the audit of the 2010 Financial Statements.

The Institute received information from The Stock Exchange of Hong Kong Limited about the corporate practice's failures to (i) state the properties under development at their fair values in the Unaudited PFI; and (ii) measure the prepaid lease payments and equity value of the convertible bonds at fair values at the 2010 Financial Statements. The matter of the 2010 Financial Statements was referred to the Financial Reporting Council ("**FRC**") for investigation. The FRC completed its investigation in October 2013 and concluded that the respondents had not complied with the relevant professional standards in respect of the audit of the 2010 Financial Statements. After considering the information available, the Institute lodged a complaint against the respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

The respondents admitted the complaint against them. The Disciplinary Committee found that:

- (1) Tang failed or neglected to observe, maintain or otherwise apply the Fundamental Principles set out in the then applicable paragraph 100.4(c) and as elaborated in paragraph 130.1 "*Professional Competence and Due Care*" of the Code of Ethics for Professional Accountants ("**Code**") for failure to act diligently in accordance with professional standards when carrying out the work, as an engagement director, on the Unaudited PFI and the 2010 Financial Statements.

- (2) Chow failed or neglected to observe, maintain or otherwise apply (i) Hong Kong Standard on Auditing ("HKSA") 220 "*Quality Control for an Audit of Financial Statements*"; and (ii) the Fundamental Principles set out in the then applicable paragraph 100.4(c) and as elaborated in paragraph 130.1 "*Professional Competence and Due Care*" of the Code for failure to act diligently and in accordance with professional standards when carrying out the work, as an engagement quality control reviewer, in the 2010 Financial Statements.
- (3) In carrying out the work on the Unaudited PFI and 2010 Financial Statements, the corporate practice failed or neglected to observe, maintain or otherwise apply any one or all of the following professional standards:
- (i) Hong Kong Standard on Investment Circular Reporting Engagements 300 "*Accountants' Reports on Pro Forma Financial Information in Investment Circulars*";
 - (ii) HKSA 200 "*Objectives and General Principles Governing an Audit of Financial Statements*";
 - (iii) HKSA 230 "*Audit Documentation*";
 - (iv) HKSA 500 "*Audit Evidence*";
 - (v) HKSA 545 "*Auditing Fair Value Measurements and Disclosures*";
 - (vi) HKSA 620 "*Using the Work of an Expert*"; and/or
 - (vii) HKSA 700 "*The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*".

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.

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 order and 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 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 18,000 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.

Hong Kong Institute of CPAs' contact information:

Stella To
Deputy Director, Communications
Phone: 2287 7209
Mobile: 9027 7323
Email: stella@hkicpa.org.hk



致：編採主任／新聞／財經版編輯

香港會計師公會對兩名執業會計師及一執業法團作出紀律處分

(香港，二零一四年十二月三十日) — 香港會計師公會轄下一紀律委員會於二零一四年十一月十七日就鄧偉雄先生(會員編號：A10201)、周志傑先生(會員編號：A14433)及鄧偉雄會計師事務所有限公司(執業法團編號：M053) (「答辯人」)沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則，對他們作出譴責。紀律委員會並命令(i)鄧先生及該執業法團須各自繳付罰款五萬港元予公會；及(ii)周先生須繳付罰款三萬五千港元予公會。此外，答辯人須支付紀律程序的費用共港幣二萬三千六百七十三元二角。

該執業法團為一間香港上市公司因進行一項重大收購而發出的通函內的一份集團公司之未經審核備考財務資料，作出無保留意見的報告。此外，該執業法團亦為該上市公司審核截至2010年6月30日的財務報表，並對該報表發出無保留意見的核數師報告。鄧先生為上述兩個項目的執業董事，而周先生為2010年審計項目的審計質量控制覆核人員。

公會收到香港聯合交易所有限公司的資料，指該執業法團沒有(i)將該未經審核備考財務資料中的在建物業按公平值列賬；及(ii)將該份2010年財務報表中的預付租賃款項及可換股債券的權益值按公平值計量。公會把該份財務報表的有關事宜轉介財務匯報局作出調查。調查於2013年10月完成，財務匯報局的結論是答辯人沒有在審核該財務報表時遵守相關的專業準則。公會經考慮所得資料，根據《專業會計師條例》第34(1)(a)(vi)條對答辯人作出投訴。

答辯人承認投訴中的指控屬實。紀律委員會的裁決如下：

- (1) 鄧先生作為上述兩個項目的執業董事，沒有盡職按照專業準則進行工作，因而沒有或忽略遵守、維持或以其他方式應用公會於Code of Ethics for Professional Accountants當時適用的第100.4(c)條列出的Fundamental Principles及在第130.1條詳述的"Professional Competence and Due Care"專業準則。
- (2) 周先生作為該2010年審計項目的審計質量控制覆核人員，沒有盡職按照專業準則進行工作，因而沒有或忽略遵守、維持或以其他方式應用公會(i) Hong Kong Standard on Auditing ("HKSA") 220 "Quality Control for an Audit of Financial Statements"；及(ii)於Code of Ethics for Professional Accountants當時適用的第100.4(c)條列出的Fundamental Principles及在第130.1條詳述的"Professional Competence and Due Care"專業準則。

(3) 該執業法團在進行上述兩個項目的工作時，沒有或忽略遵守、維持或以其他方式應用以下任何一項或所有的專業準則：

- (i) Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars";
- (ii) HKSA 200 "Objectives and General Principles Governing an Audit of Financial Statements";
- (iii) HKSA 230 "Audit Documentation";
- (iv) HKSA 500 "Audit Evidence"
- (v) HKSA 545 "Auditing Fair Value Measurements and Disclosures"
- (vi) HKSA 620 "Using the Work of an Expert"; and/or
- (vii) HKSA 700 "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements".

經考慮有關情況後，紀律委員會根據《專業會計師條例》第35(1)條向答辯人作出上述的命令。

根據《專業會計師條例》，如答辯人不服紀律委員會對他們作出的命令，可於命令文本送達後30天內向上訴法庭提出上訴。

紀律委員會的書面判決可於公會網頁內Compliance部份查閱，網頁為<http://www.hkicpa.org.hk>.

公會的紀律程序是根據《專業會計師條例》第V部份，由五位成員組成的紀律委員會執行。每個紀律委員會的大多數成員，即包括主席在內的三名成員，是由香港特別行政區行政長官從業外人士組成的紀律小組中選派委任，另外兩名成員由專業會計師出任。

除非負責的紀律委員會因公平理由認為不恰當，否則紀律聆訊一般以公開形式進行。紀律聆訊的時間表可於公會網頁查閱。如當事人不服紀律委員會的裁判，可向上訴法庭提出上訴，上訴法庭可確定、修改或推翻紀律委員會的裁判。

紀律委員會有權向公會會員、執業會計師事務所會員及註冊學生作出處分。紀律處分範圍包括永久或有限期地將違規者從會計師註冊紀錄冊中除名或吊銷其執業證書、對其作出譴責、下令罰款不多於五十萬港元，以及支付紀律程序的費用。

— 完 —

關於香港會計師公會

香港會計師公會是香港唯一獲法例授權負責專業會計師註冊兼頒授執業證書的組織，會員人數超過三萬七千，註冊學生人數逾一萬八千。公會會員可採用「會計師」稱銜（英文為 **certified public accountant**，簡稱 **CPA**）。

公會(Hong Kong Institute of Certified Public Accountants)於一九七三年一月一日成立，當時的英文名稱為 Hong Kong Society of Accountants。

公會根據《專業會計師條例》履行職責，以公眾利益為依歸。其職能廣泛，包括開辦專業資格課程(Qualification Programme)以確保會計師的入職質素，以及頒布香港的財務報告、審計及專業操守準則。此外，公會亦負責在香港監管和推動優良而有效的會計實務，以鞏固香港作為國際金融中心的領導地位。

香港會計師公會是全球會計聯盟 (Global Accounting Alliance, GAA) 的成員之一。全球會計聯盟於二零零五年成立，聯合了全球頂尖的專業會計團體，推動優質服務，並積極與各地監管機構、政府及關連人士就國際重要議題共同合作。

香港會計師公會聯絡資料

杜幼儀

副傳訊總監

直線電話：2287 7209

手提電話：9027 7323

電子郵箱：stella@hkcipa.org.hk

IN THE MATTER OF

Complaints made under Section 34(1)(a) of the Professional Accountants Ordinance (Cap. 50) (“the PAO”) and referred to the Disciplinary Committee under Section 33 (3) of the PAO

BETWEEN

The Registrar of the Hong Kong Institute of Certified Public Accountants

COMPLAINANT

AND

MR. TANG WAI HUNG

1st RESPONDENT

MR. CHOW CHI KIT

2nd RESPONDENT

W.H. TANG & PARTNERS CPA LIMITED

3rd RESPONDENT

Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (“the Institute”)

Members: Mr. Kumar Ramanathan SC (Chairman)

Mr. Davidson, Calum Muir

Mr. Liu, Che Ning

Mr. Tsang, Chi Wai, Roy

Miss Tsui, Pui Man Winnie

REASONS FOR DECISION

1. This is a complaint made by the Registrar of the Hong Kong Institute of certified Public Accountants (“the Institute”) as the Complainant against Mr. Tang Wai Hung, a certified public accountant (practising) (Membership no: A10201) 1st Respondent, Mr. Chow Chi Kit, a certified public accountant (practising) (Membership no: A14433) the 2nd Respondent and W.H. Tang &

Partners, a corporate practice (CP no: M053), the 3rd Respondent pursuant to section 34(1)(a)(vi) and section 34(1AA) of the Professional Accountants Ordinance (cap 50) (“PAO”).

2. The particulars of the complaint are set out in a letter from the Complainant to the Council of the Institute dated 27th May 2014. The thrust of the complaint is as follows:

Complaint 1: Against 1st Respondent

that he failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraph 100.4(c) as elaborated in paragraph 130.1 of the then applicable Code of ethics for Professional Accountants (“the Code”) for failure to act diligently in accordance with professional standards when carrying out the work, as an engagement director, on an Unaudited Pro Forma Financial Information and audit of the 2010 Financial Statements

Complaint 2: Against 2nd Respondent

he failed or neglected to observe, maintain or otherwise apply professional standards namely in (i) paragraphs 38 and 39 of HKSA 220; and (ii) paragraph 100.4(c) as elaborated in paragraph 130.1 of the then applicable Code for failure to act diligently and in accordance with professional standards when carrying out the work, as an engagement quality control reviewer, in the audit of the 2010 Financial Statements

Complaint 3: Against the 3rd Respondent

when carrying out the work on the Unaudited Pro Forma Financial Information

and the audit of the 2010 Financial Statements , they have failed or neglected to observe, maintain or otherwise apply any one or all of the following professional standards:

- (i) Paragraph 4 of HKSIR 300;
- (ii) Paragraph 15 of HKSA 200;
- (iii) Paragraphs 2 and 9 of HKSA 230;
- (iv) Paragraphs 13, 14 and 22 of HKSA 200;
- (v) Paragraph 2 of HKSA 500;
- (vi) Paragraphs 3 and 63 of HKSA 545;
- (vii) Paragraphs 2, 8, 9 ,11, 12 and 15 of HKSA 620; and/or
- (viii) Paragraphs 11 and 13 of HKSA 700

BACKGROUND FACTS

3. **Aptus Holdings Limited (“the Company”)** was incorporated in the Cayman Islands and its shares are listed in the Growth Enterprise Market of the Stock Exchange of Hong Kong (“the Exchange”). The Company is **now called Celebrate International Holdings Limited with the stock code 8212.**
4. The Company planned to acquire the entire equity interests of Casdon Management Limited and its subsidiaries (“the Casdon Group”) and accordingly issued a Circular dated 22nd April 2010 in respect of the acquisition. The Casdon Group’s assets principally constituted of land and properties which the

Company intended to develop in order to operate the business of providing spaces for storage of deceased cremated ashes and other ancestral properties.

5. The acquisition was completed on 27th May 2010 at a total consideration of \$1,085 million comprising \$85 million in cash, \$150 million in promissory note and \$850 million in convertible bonds.
6. Included in Appendix IV of the Circular was the Unaudited Pro Forma Financial Information spelling out how the acquisition might affect the financial information of the enlarged group made up of the Company and its subsidiaries (“the Aptus Group”) and the Casdon Group.
7. On 22nd April 2010 the 3rd Respondent issued an unqualified accountant’s report on the Unaudited Pro Forma Financial Information which asserted that they had conducted their work in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 300 (HKSIR 300) and concluded that the basis of the preparation of the Unaudited Pro Forma Financial Information was consistent with the accounting policies of the Company.
8. Appendix I of the Circular indicated that the accounting policies stated that the financial information of the Aptus Group were prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and that the policy on accounting for business combinations was to comply with HKFRS 3 “*Business Combinations*.”¹

¹ HKFRS 3 (Revised) Paragraph 18 states that “*The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition date fair value*”

Paragraph 37 states that “*The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer...*”

9. In the Unaudited Pro Forma Financial Information the land and properties of the Casdon Group were classified as properties under development and were stated at carrying values instead of fair values at the date of acquisition.
10. The Financial Statements of the Aptus Group for the year ended 30th June 2010 were stated to be having been prepared in accordance with HKFRS. However, in the 2010 Financial Statements the properties under development, which were classified as prepaid lease payments, and the convertible bonds were not calculated at their fair values.
11. The 3rd Respondent was appointed auditors of the Company and on 10th September 2010 issued an unmodified report on the 2010 Financial Statements. The 1st and 2nd Respondents are practising directors of the 3rd Respondent, with the 1st Respondent as the engagement director and the 2nd Respondent the engagement quality control reviewer for the audit.
12. It transpires that for the Financial Statements for the year ended 2011 which were carried out by another firm of accountants, prior year adjustments had to be made to restate the prepaid lease payments and the convertible bonds to reflect their fair values.
13. On 9th July 2012, the Exchange made a referral to the Institute for investigation of the work performed by the 3rd Respondent in relation to their failure (i) to mention in the Accountants' Report that the properties under development reported in the Unaudited Pro Forma Financial Information were not reflected at fair value and (ii) failing to raise any concern in the auditors' report in the 2010 Financial Statements regarding the prepaid lease payments and the convertible bonds not being evaluated at their fair values in conformity with the relevant professional standards.

14. By a letter to the Institute dated 28th September 2012 the Respondents claimed that the Unaudited Pro-Forma Financial Information and the 2010 Financial Statements complied with the relevant professional standards.
15. By reason of the referral by the Exchange the Institute, pursuant to its statutory duties, referred the matter of the 2010 Financial Statements to the Financial Reporting Council (“FRC”). The FRC consequently referred the matter to be investigated by the Audit Investigation Board (“AIB”).
16. The AIB completed its report on 16th October 2013 and concluded that the 2010 Financial Statements were non-compliant with the HKFRS 3 and Hong Kong Accounting Standard 32 in that the prepaid lease payments and the convertible bonds were not evaluated at their fair values. Further the AIB were of the view that the Respondents had not complied with the relevant professional standards in respect of the 2010 audit of the Company.
17. In response, the 3rd Respondent by a letter dated 6th December 2013 maintained that they had not ignored the requirements of the relevant professional standards and that they had exercised their judgment in relation to the fair values evaluation. They however conceded that their working papers for the audit of the 2010 Financial Statements “*was not completely in complying (sic) with the standards. But as our audit programme was amended in October 2010, we believe that the conditions will not be happened again (sic) and our working paper will comply with the requirements of the Hong Kong Auditing Standards.*”

SUMMARY OF THE PRINCIPAL ISSUES

Unaudited Pro Formal Financial information

18. The Company failed to state the properties under development at their fair values in accordance with HKFRS 3 in respect of *Business Combinations*.² It is not in dispute that the Accountants' Report issued by the 3rd Respondent did not raise any concern in this regard.
19. The differential between the carrying value of the properties under development of \$147.9 million and the fair value of \$25.4 million was approximately \$122 million. This significant discrepancy represented 12% of the total assets less current liabilities as reported in the unaudited Pro-Forma Financial Information.
20. This shows that the 3rd Respondent failed to comply with HKSIR 300 *Accountants' Reports on Pro Forma Financial information in Investment Circulars*³ with particular reference to Accounting Guideline 7 *Preparation of Pro Forma Financial information for inclusion in Investment Circulars*.⁴

² See fn 1

³ Paragraph 3 states "In an engagement to report on pro forma financial information in investment circulars, reporting accountants should comply with this HKSIR and to the extent applicable, relevant HKSAs and Hong Kong Standards on Assurance Engagements."

Paragraph 4 states "Reporting accountants plan and perform their work so as to obtain sufficient evidence to provide reasonable assurance

a. the pro forma financial information has been properly compiled by the directors of the issuer on the basis stated;

b. such basis is consistent with the accounting policies of the issuer."

⁴ Paragraph 8 of Guideline 7 stipulates "Listing Rule 4.29(1)/GEM Rule 7.31(1) requires that proforma financial information must provide investors with information about the impact of the transaction the subject of the investment circular by illustrating how that transaction might have affected the financial information presented

2010 Financial Statements

21. Two matters arise in respect of these statements:
- (a) the failure to measure the prepaid lease payments according to fair values in conformity with paragraph 18 of HKFRS 3;⁵ and
 - (b) failing to measure the equity value of the convertible bonds at fair value in conformity with paragraph 37 of HKFRS 3⁶ and paragraphs 31 and 32 of HKAS 32⁷
22. It transpires that the reduced value of \$118.4 million in respect of prepaid lease payments and \$83.8 million in convertible bonds in the light of the fair value adjustments was equivalent to 17% and 12% respectively of the net assets of the Aptus Group, which would have a material impact on the picture presented by the 2010 Financial Statements.

in the investment circular, had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported on. The pro forma financial information presented must not be misleading, must assist investors in analyzing future prospects of the issuer.”

⁵ See fn1

⁶ See fn 1

⁷ Paragraph 31 stipulates “... Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting the from the fair value of the instrument as a whole the amount separately determined for the liability component....The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole... ”

Paragraph 32 stipulates “Under the approach described in paragraph 31, the issuer of a bond convertible into ordinary shares first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.”

23. The 3rd Respondent failed to express any modified opinion in respect of the non-compliance with HKFRS 3 and HKAS 32⁸ on these 2010 Financial Statements of the Company as well as paragraphs 11 and 12 of the HKSA 700 *The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements*⁹.
24. In carrying out the audit of the 2010 Financial Statements, the 3rd Respondent was found to have failed to comply with the following HKSAs:
- (a) Paragraph 15 of HKSA 200 (Revised) “*Objective and general Principles Governing an Audit of Financial Statements*”;
 - (b) Paragraphs 2 and 9 of HKSA 230 “*Audit Documentation*”;
 - (c) Paragraphs 13, 14 and 22 of HKSA 300 “*Planning an Audit of Financial Information*”;
 - (d) Paragraph 2 of HKSA 500 “*Audit Evidence*”;
 - (e) Paragraphs 3 and 63 of HKSA 545 “*Auditing Fair Value Measurements and Disclosures*”;
 - (f) Paragraphs 2, 8, 9, 11, 12 and 15 of HKSA 620 “*Using the Work of an Expert*”.
25. The basis for the findings of the aforementioned non-compliance has been fully set out in the AIB Report dated 16th October 2013, which findings are accepted by this Committee. Reference should be made to the Report for the details, which are not repeated here in the interests of striking a balance between the length of our Decision and its comprehension.

⁸ See fn 1

⁹ See fn 7

26. The 2nd Respondent failed to carry out an adequate review of the audit of the 2010 Financial Statements in conformity with HKSA 220 “*Quality Control for Audits of Historical Financial Information*”¹⁰.
27. The 1st and 2nd Respondents also failed to act in accordance with the relevant professional standards at the material time as embodied in The Code of Ethics for Professional Accountants.¹¹ In the circumstances the 1st, 2nd and 3rd Respondents failed or neglected to observe, maintain or otherwise apply professional standards pursuant to section 34(1)(a)(vi) of the PAO.
28. By letters dated 21st July 2014 signed by each of the three Respondents, they indicated they would admit the complaints laid against each of them

¹⁰ Paragraph 38 states that “An engagement quality control review should include an objective evaluation of

(a) The significant judgments made by the engagement team; and

(b) The conclusions reached in formulating the auditor’s report.”

Paragraph 39 states that “An engagement quality control review ordinarily involves discussion with the engagement partner, a review of the financial information and the auditor’s report, and in particular, consideration of whether the auditor’s report is appropriate. It also involves a review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions they reached...”

¹¹ Paragraph 100.4 states that “A professional accountant is required to comply with the following fundamental principles:

(c) Professional Competence and Due Care

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.”

Paragraph 130.1 stipulates that “The principle of professional competence and due care imposes the following obligations on professional accountants:

(a) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service;

and

(b) To act diligently in accordance with applicable technical and professional standards when providing professional services.”

respectively. There was no dispute as to the facts as set out in the respective complaints. The parties agreed that the steps set out in paragraphs 17-30 of the Disciplinary Committee Proceedings Rules could be dispensed with.

29. The Committee then directed that the parties to file submissions in respect of sanctions and mitigation without the need for a hearing. These were duly done and received by the members of the Committee on 22nd September 2014.
30. The 1st and 3rd Respondent candidly acknowledged that this was not the first time they had come before the Disciplinary Committee of the Institute, although it was in relation to a non-related matter without any elaboration. By a letter dated 23rd September 2014, the Complainant confirmed the previous disciplinary record explaining that it related to a failure by the 1st and 3rd Respondents with respect to the understatement and inadequate disclosures of depreciation in respect of the revalued plant and machinery of a listed company.

DECISION

31. The Committee has carefully considered everything that has been advanced to us in submissions by both the Complainant and the Respondents. We take note that the Respondents admitted the complaints laid against them at an early stage thereby obviating the need for a full hearing. We acknowledge that this reflects a recognition of their respective failures and an acknowledgement of their responsibility for the same.
32. We would also observe that the complaints concerned a public listed company and the nature of their failures involved a possible misleading of the investing public in the company. We are of the view that these are serious breaches by all

three Respondents. The public are entitled to expect that practising accountants and corporate entities discharge their duties and carry out their work to the highest standards of probity, independence and competence. If public confidence is shaken then the price to be paid by the entire accountancy profession is very high.

33. We therefore believe that it is important that public confidence in the accountancy profession is maintained and that any sanctions imposed by the Committee should be appropriate to the particular facts of the case but also act as deterrence to others that non-compliance by accountancy professionals to the high standards expected of them would be viewed seriously and would exact suitably severe sanctions.
34. Having considered all the matters we make the following orders:
 - (a) The 1st, 2nd and 3rd Respondents be reprimanded under section 35(1)(b) of the PAO;
 - (b) The 1st and 3rd Respondents each pay a penalty of \$50,000 under section 35(1)(c) of the PAO;
 - (c) The 2nd Respondent pay a penalty of \$35,000 under section 35(1)(c) of the PAO;
 - (d) The Respondents are jointly and severally liable to pay the costs of and expenses incidental to the proceedings of the Complainant and the Financial Reporting Council in the total sum of \$23,673.20 under Section 35(1)(iii) and Section 35(1)(d)(ii) of the PAO.

Dated the 17th day of November 2014