



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 24 February 2012) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 9 February 2012 that due to Chan Cheuk-chi's (membership number F01481) failure or neglect to observe, maintain or otherwise apply the relevant professional standards issued by the Institute, the name of Chan is to be removed from the register of certified public accountants for a period of 36 months with effect from 20 March 2012; and that the current practising certificate issued to Chan is to be cancelled and a practising certificate shall not be issued to Chan for a period of 36 months. Chan was also ordered to pay to the Institute a penalty of HK\$500,000.

In addition, Chan was ordered to pay \$442,427 towards the costs of the disciplinary proceedings.

Chan was formerly a practising member director of a corporate practice. He gave evidence as an immunity witness for the prosecution in a criminal case in which the finance director of a client company had been convicted of conspiracy to defraud under section 159C(6) of the Crimes Ordinance (Cap. 200). The conviction concerned a debit note issued by the corporate practice which was presented to a client company for payment of accounting services performed when in fact no such services had been performed by the practice.

After considering the information available and obtaining Chan's explanation of his conduct, the Institute lodged complaints against Chan under section 34(1A) of the Professional Accountants Ordinance. A Disciplinary Committee was constituted in April 2010.

Chan admitted two charges against him. Based on the evidence submitted, the Disciplinary Committee found that Chan failed or neglected to observe, maintain or otherwise apply:

1. The then applicable Statement 1.200 "Professional Ethics – Explanatory Foreword" in that Chan had failed to take sufficient steps to prevent the issuing of the said debit note. His failure to prevent the debit note being issued and failure to report the matter despite knowing that the client company had been defrauded was conduct inconsistent with the good reputation of the profession and the Institute.
2. The "Fundamental Principles" and section 150.1 of the Code of Ethics for Professional Accountants in that Chan gave false statements to ICAC officers in an interview with an attempt to mislead them. Although this position was corrected during and before the interview was concluded, it was a conduct which was inconsistent with the good reputation of the profession and the Institute.

Having taken into account Chan's admission and the circumstances of the case, the Disciplinary Committee made the above order against Chan.

Under the Professional Accountants Ordinance, Chan may give notice of an appeal to the Court of Appeal within 30 days after he is served the order, if he is aggrieved by the order made by the Disciplinary Committee under section 35(1) of the Professional Accountants Ordinance.

On 24 February 2012, Chan lodged an appeal against the Disciplinary Committee's decision on sanctions.

Pursuant to section 38(2) of the Professional Accountants Ordinance, the Registrar shall not remove the name of a certified public accountant from the register, record a reprimand or penalty or an order to pay costs and expenses or an order in respect of practising certificate in the register by virtue of an order made by a Disciplinary Committee, or enforce payment of a penalty or costs or expenses before the expiry of 30 days after the date of service of the order on the accountant or in the case of an appeal, before the decision of the Court of Appeal on such appeal.

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 of each committee (three members), 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 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 33,000 members and nearly 16,000 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 CPA 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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