



Hong Kong Institute of Certified Public Accountants takes disciplinary action against a certified public accountant

(HONG KONG, 18 March 2021) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Chung Chi Hang, certified public accountant (A32902) on 5 February 2021 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. Chung has not held a practising certificate since August 2019, and the Committee ordered that no practising certificate shall be issued to him again for 12 months from 17 March 2021. In addition, the Committee ordered Chung to pay costs of the Institute of HK\$107,443.

Chung was the managing director of a corporate practice. He conducted the audits of the financial statements of five private companies for the year/period ended 31 December 2017 and signed the relevant auditor's reports in the name of the practice. Chung expressed an unmodified auditor's opinion in each of those reports.

Deficiencies were found in the five audits. Chung failed to obtain sufficient appropriate audit evidence to support his conclusions that the companies' service revenue and costs were properly recognized. In addition, Chung inappropriately accepted certain bank confirmations as sufficient audit evidence when those confirmations were not sent to him directly but to a third party and thus their integrity might have been compromised. Further, Chung failed to apply sufficient professional scepticism when following up on the total lack of response to all confirmation requests sent to the companies' customers and suppliers.

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

Chung admitted the complaint against him. The Disciplinary Committee found that Chung had failed or neglected to observe, maintain or otherwise apply the following professional standards:

- (i) Hong Kong Standard on Auditing ("HKSA") 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*;
- (ii) HKSA 230 *Audit Documentation*;
- (iii) HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*;
- (iv) HKSA 330 *The Auditor's Responses to Assessed Risks*;
- (v) HKSA 500 *Audit Evidence*;

- (vi) HKSA 505 *External Confirmations*; and
- (vii) the fundamental principle of Professional Competence and Due Care in sections 100.5(c) and 130 of the Code of Ethics for Professional Accountants.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Chung under section 35(1) of the ordinance.

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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 over 45,000 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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