



## Hong Kong Institute of Certified Public Accountants takes disciplinary action against two certified public accountants (practising)

(HONG KONG, 5 January 2022) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Wong Ho Yuen, Gary, certified public accountant (practising) (F01794) and Mr. Chan Lap Chi, certified public accountant (practising) (A18249) (collectively “Respondents”) on 22 November 2021 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. In addition, the Committee ordered Mr. Wong and Mr. Chan to pay penalties of HK\$100,000 and HK\$50,000 respectively, and to pay costs of the disciplinary proceedings of HK\$104,394.

Mr. Wong was the engagement director and Mr. Chan was the engagement quality control reviewer in an audit carried out by Confucius International CPA Limited on the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2018. The audit was selected for review as part of the Institute’s practice review.

The practice reviewer identified significant deficiencies in the audit procedures carried out by the audit team on impairment assessment of the company’s intangible assets, comprising technological know-how, a distribution vending system, and deferred development costs for patents. Mr. Chan failed to perform an adequate engagement quality control review of the significant judgements made and conclusions reached by the audit team in the impairment assessment.

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

The Respondents admitted the complaints against them. The Disciplinary Committee found as follows:

- (i) Mr. Wong was in breach of:
  - 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*;
  - HKSA 230 *Audit Documentation*;
  - HKSA 500 *Audit Evidence*; and
  - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.
  
- (ii) Mr. Chan was in breach of HKSA 220 *Quality Control for an Audit of 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.

#### About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accountants ("HKICPA") enforces the highest professional and ethical standards in the accounting profession. Governed by the Professional Accountants Ordinance (Cap. 50) and the Disciplinary Committee Proceedings Rules, an independent Disciplinary Committee is convened to deal with a complaint referred by Council. If the charges against a member, member practice or registered student are proven, the Committee will make disciplinary orders setting out the sanctions it considers appropriate. Subject to any appeal by the respondent, the order and findings of the Disciplinary Committee will be published.

For more information, please see:

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

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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 47,000 members and 17,000 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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