



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

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

(HONG KONG, 8 August 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Chan Chi Kei, Ronald, certified public accountant (practising) (A18242), Mr. Ho Yiu Hang, Ricky, certified public accountant (practising) (A25768) and Asian Alliance (HK) CPA Limited (M0331) on 25 June 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the three respondents to jointly pay a penalty of HK\$150,000 and costs of the Institute and the Financial Reporting Council (“FRC”) totalling HK\$221,501.

Asian Alliance audited the consolidated financial statements of Natural Dairy (NZ) Holdings Limited, a Hong Kong listed company, and its subsidiaries for the year ended 31 May 2011. Chan was the engagement director and Ho was the engagement quality control reviewer (“EQCR”) of the audit.

The Institute received a referral from the FRC about audit irregularities. The consolidated financial statements included the company’s equity interest in a foreign company which had acquired several dairy farms in New Zealand. The foreign company’s request for the local authority’s retrospective consent to its acquisition of the dairy farms was refused. As a result, the farms were subject to a risk of compulsory disposal by court order.

In their audit, the respondents failed to perform sufficient procedures to address the potential impact of the above circumstances on the investment, including impairment assessment. The respondents also failed to evaluate whether proper disclosure about the matter had been made in the financial statements.

In addition, the respondents did not prepare sufficient documentation of audit procedures performed on revenue recognized in the financial statements.

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

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

- (i) Chan and Asian Alliance failed or neglected to observe, maintain or otherwise apply the following professional standards:

- 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 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*;
  - HKSA 500 *Audit Evidence*;
  - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*;
  - HKSA 620 *Using the Work of an Auditor’s Expert*; and
  - HKSA 700 *Forming an Opinion and Reporting on Financial Statements*
- (ii) Ho failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.
- (iii) Chan and Ho failed or neglected to observe, maintain or otherwise apply the fundamental principle of Professional Competence and Due Care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants in conducting their duties as engagement director and EQCR respectively.

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 more than 44,000 members and 17,100 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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