



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

(HONG KONG, 22 June 2020) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Yip Kai Yin, certified public accountant (practising) (A23951), Mr. Ng Man Chung, Siman, certified public accountant (practising) (F05003) and Elite Partners CPA Limited (M0269) (collectively “Respondents”) on 9 December 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee ordered that the practising certificates of Yip and Ng be cancelled, with no issuance of practising certificates to Yip and Ng for nine months and six months respectively.

In addition, the Committee ordered Yip, Ng and Elite to pay a penalty of HK\$50,000, HK\$50,000 and HK\$100,000 respectively. The Committee further ordered the Respondents to jointly pay costs of the Institute and the Financial Reporting Council (“FRC”) and it will determine the amount of costs to be paid after considering the parties’ submissions on that issue.

The Respondents appealed the Committee’s order, and as a result publication of the order was put on hold. On 2 June 2020, the Court allowed the Respondents’ application to withdraw the appeal, and the practising certificates of Yip and Ng were cancelled on that date pursuant to the Committee’s order.

Elite was newly appointed as auditor of China Agrotech Holdings Limited, a Hong Kong listed company (“Company”), for the year ended 30 June 2012. It audited the consolidated financial statements of the Company and its subsidiaries for that year and expressed an unmodified auditor’s opinion. Yip was the engagement director and Ng was the engagement quality control reviewer.

The Institute received a referral from the FRC about irregularities in the audit. In the previous year, the Company acquired a group and issued promissory notes and convertible bonds as purchase consideration. The purchase consideration would be adjusted if the acquired group failed to achieve a required annual minimum profit. The Company did not account for the consideration adjustment as a contingent consideration in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations*. The Company committed further accounting errors by treating the consideration adjustment as a cash flow item and recognizing it in the financial year after the one in which the profit shortfall arose. The Respondents failed to carry out appropriate audit procedures to identify the above errors in the financial statements.

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

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

- (i) Yip and Elite failed or neglected to observe, maintain or otherwise apply the following professional standards:
- Hong Kong Standard on Auditing ("HKSA") 500 *Audit Evidence*;
 - HKSA 510 *Initial Audit Engagements – Opening Balances*;
 - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
 - HKSA 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.
- (ii) Ng failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.
- (iii) The Respondents were guilty of professional misconduct.

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. The Committee noted that the breaches were serious. They showed that the Respondents' knowledge of technical and professional standards was far below an acceptable level and, together with the Respondents' past regulatory records, pointed to a blatant and persistent failure to maintain professional competence.

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 46,000 members and 19,000 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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