



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

(HONG KONG, 13 March 2020) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Hu Chiu Lun, Alan, certified public accountant (membership no.: A09019) on 4 February 2020 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the cancellation of his practising certificate, with no issuance of a practising certificate to him for 22 months with effect from 15 March 2020. In addition, Hu was ordered to pay a penalty of HK\$30,000 and costs of disciplinary proceedings of HK\$30,000.

Hu was practising in his own name and was responsible for his practice's quality control system and the quality of its audit engagements. In 2016, the practice was subject to its first practice review which identified deficiencies in its quality control system concerning the monitoring process and custody of engagement documentation.

In 2017, a follow-up practice review was carried out and the Institute found that the practice had failed to rectify the deficiencies previously identified. In addition, significant deficiencies were found in procedures conducted on revenue recognition, external confirmations and forming the auditor's opinion in the practice's audit of a private company. In that audit, Hu compiled certain working papers after the auditor's report date and knowingly misrepresented to the reviewer that those working papers were prepared, and documented procedures performed, before the auditor's report was issued.

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

Hu admitted the complaints against him. The Disciplinary Committee found that Hu was in breach of (i) Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*; (ii) the fundamental principle of integrity in sections 100.5(a), 110.1 and 110.2 of the Code of Ethics for Professional Accountants; and (iii) the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code. In view of the severity of the non-compliances, the Committee also found Hu guilty of professional misconduct.

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

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 45,000 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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