



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

(HONG KONG, 23 October 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Tong Yat Hung, certified public accountant (practising) (A01188) and Cheng & Cheng Limited (M0035) (collectively “Respondents”) on 5 September 2019 for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute. The Committee also ordered Tong and Cheng & Cheng to pay penalties of HK\$35,000 and HK\$50,000 respectively. In addition, the Respondents were ordered to pay costs of disciplinary proceedings of HK\$93,078.

Cheng & Cheng audited the consolidated financial statements of Kiu Hung International Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, “Group”) for the year ended 31 December 2015. Tong was the engagement director.

In relation to the audit engagement, Cheng & Cheng undertook a review of the Group’s preliminary announcement of its final results for the financial year. The published announcement contained a statement that the auditor had agreed that the financial figures included in the announcement were consistent with those in the Group’s consolidated financial statements. This was incorrect as the figures in the announcement had not been agreed by the auditor. Approximately three weeks later, the Group published a clarification announcement which corrected a number of errors in the financial results included in the original announcement. But it did not address the incorrect statement regarding the auditor’s agreement made in the original announcement.

In the above circumstances, the Respondents were aware of the statement in the original announcement regarding their purported agreement that the financial figures were consistent. However, they did not act diligently in taking appropriate action to alert those in an oversight position. The Respondents did not write to the Group’s audit committee nor did they request the audit committee to inform the relevant regulators about the matter. In not taking action to disassociate themselves from the incorrect statement, the Respondents failed to follow the relevant guidance in the Institute’s Practice Note 730.

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 that the Respondents 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 of the Code of Ethics for Professional Accountants.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order under section 35(1) of the ordinance. In coming to its decision, the Committee took account of a number of factors, including the Respondents' efforts regarding the original announcement, the importance of maintaining public confidence in the accountancy profession and the regulatory records of Cheng & Cheng.

#### 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 17,000 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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