



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

(HONG KONG, 24 September 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Ng Ka Kuen, certified public accountant (practising) (A25914) on 14 August 2019 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee also ordered Ng to pay a penalty of HK\$100,000 and costs of the Institute and the Financial Reporting Council (“FRC”) totalling HK\$59,374.20.

Ng was the sole practising director of a corporate practice, UC CPA (Practising) Limited, which is now de-registered. As the newly-appointed auditor of South Sea Petroleum Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, “Group”), the corporate practice expressed an unmodified auditor’s opinion on the consolidated financial statements of the Group for the year ended 31 December 2014.

The Institute received a referral from the FRC about audit irregularities. The Group’s financial statements in the previous year did not comply with Hong Kong Accounting Standard 18 *Revenue*. The customer in a prior-year sale was allowed to settle payment by interest-free instalments over 10 years, and such a deferred payment arrangement constituted a financing transaction under the accounting standard. The Group failed to correctly account for the arrangement and such accounting non-compliance affected the opening balances and comparative information in the 2014 financial statements.

In the audit, Ng failed to properly evaluate the transaction and obtain sufficient evidence on the balances pertaining to it. Further, Ng failed to appoint an engagement quality control reviewer for the audit.

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

Ng admitted the complaint against him. The Disciplinary Committee found that Ng 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 220 *Quality Control for an Audit of Financial Statements*;
- HKSA 510 *Initial Audit Engagements – Opening Balances*;
- HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*;

- HKSA 700 *Forming an Opinion and Reporting on Financial Statements*; and
- 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.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against the respondent under section 35(1) of the ordinance. The Committee considered that the case involved the audit of a listed company which affected the investing public. As Ng had been subject to regulatory proceedings on two previous occasions, the Committee considered that sufficient sanctions should be imposed as a deterrent.

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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