



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

(HONG KONG, 5 May 2022) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Chan Wai Dune, Charles, certified public accountant (practising) (F00998), Miss Teh Delores Eng-Hua, certified public accountant (practising) (F03840), Mr. Yau Hok Hung, certified public accountant (practising) (F03897) and CCIF CPA Limited (M0041) (collectively “Respondents”) on 25 March 2022 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. In addition, the Committee ordered Chan, Teh, Yau and CCIF CPA Limited to pay penalties of HK\$200,000, HK\$150,000, HK\$150,000 and HK\$300,000 respectively, and to jointly pay HK\$493,881 towards the costs of the Institute and the Financial Reporting Council (“FRC”).

CCIF CPA Limited expressed unmodified auditor’s opinions on the consolidated financial statements of First Natural Foods Holdings Limited (now known as Imperial Pacific International Holdings Limited), a Hong Kong listed company, and its subsidiaries (collectively “Group”) for each of the years ended 31 December 2005, 2006 and 2007. Chan, Teh and Yau were the engagement directors of the 2005, 2006 and 2007 audits, respectively.

The Institute received a referral from the FRC about deficiencies found in one or more of the audits. The deficiencies included failures to carry out audit planning and risk assessment on revenue, to properly evaluate evidence of revenue obtained from certain parties who had apparently acted only as agents for ultimate customers, and to assess the impact of the main customer’s recurring non-response to audit confirmation requests sent to it. In addition, the audit team failed to carry out sufficient procedures on the completeness of population of revenue from which samples were drawn for testing, and to adequately document certain audit procedures performed.

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

The Disciplinary Committee found as follows:

(i) In the 2005 audit, Chan and CCIF CPA Limited failed or neglected to observe, maintain or otherwise apply the following professional standards:

- Hong Kong Standard on Auditing (“HKSA”) 200 *Objectives and General Principles Governing an Audit of Financial Statements*;
- HKSA 315 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*;
- HKSA 330 *The Auditor’s Procedures in Response to Assessed Risks*; and
- HKSA 500 *Audit Evidence*.

(ii) In the 2006 audit, Teh and CCIF CPA Limited failed or neglected to observe, maintain or otherwise apply the following standards:

- HKSA 200 (Revised) *Objective and General Principles Governing an Audit of Financial Statements*;
- HKSA 500; and
- HKSA 530 *Audit Sampling and Other Means of Testing*.

(iii) In the 2007 audit, Yau and CCIF CPA Limited failed or neglected to observe, maintain or otherwise apply the following standards:

- HKSA 200 (Revised);
- HKSA 230 *Audit Documentation*;
- HKSA 500; and
- HKSA 530.

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. When making its decision, the Committee considered that the case involved significant deficiencies, and that it reflected the Respondents’ lack of professional skepticism in auditing the Group’s revenue, as a significant volume of transactions were made with the non-responding customer over a number of years.

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 over 46,000 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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