



Hong Kong Institute of Certified Public Accountants takes regulatory action against a certified public accountant (practising) and a firm of certified public accountants

(HONG KONG, 20 August 2021) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Hsu Shiu Hung, Kenneth, a certified public accountant (practising) (A16626) and Kenneth S.H. Hsu & Co. (1909) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

The respondents expressed an unmodified auditor's opinion on the financial statements of a private company for the year ended 31 March 2019. They failed to perform appropriate audit procedures to evaluate whether some of the company's expenses were for genuine business purposes and properly approved. In particular, they failed to obtain sufficient appropriate audit evidence supporting lump sum payments for expenses made through a shareholder of the company. In addition, they did not evaluate how the company's inability to provide support for the payments would impact the auditor's opinion.

The Institute concluded that the respondents failed or neglected to observe, maintain or otherwise apply the following: Hong Kong Standard on Auditing ("HKSA") 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*; HKSA 330 *The Auditor's Responses to Assessed Risks*; HKSA 500 *Audit Evidence*; and the fundamental principle of professional competence and due care in sections 110.1 A1(c) and R113.1 under Chapter A of the Code of Ethics for Professional Accountants.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council of the Hong Kong Institute of Certified Public Accountants concluded that the following should resolve the complaint:

1. the respondents acknowledge the facts of the case and areas of non-compliance with professional standards;
2. the respondents be reprimanded; and
3. the respondents jointly pay an administrative penalty of HK\$50,000 and costs of the Institute of HK\$15,000.

About Resolution by Agreement

In order to better serve the interests of the public and the profession, the Hong Kong Institute of Certified Public Accountants ("HKICPA") ensures complaints are dealt with in an effective and transparent manner. In accordance with Council powers outlined in the Professional Accountants Ordinance, a Resolution by Agreement ("RBA") may be offered in uncontested cases considered to be moderate after taking into account the nature and gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty, which are handled through a separate disciplinary process.

The RBA includes a mandatory public censure which entails publication of the name of the respondent, facts of the case and areas of non-compliance with professional standards. Information on the Institute's complaint handling process and guidelines for Resolutions by Agreement are available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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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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