



Hong Kong Institute of Certified Public Accountants settles regulatory proceedings involving two certified public accountants (practising)

(HONG KONG, 3 November 2021) The Hong Kong Institute of Certified Public Accountants has settled regulatory proceedings concerning alleged non-compliance of its professional standards involving Mr. Chan Chi Kwong, Dickson, certified public accountant (practising) (F05388) and Mr. Sum Chun Ho, certified public accountant (practising) (A20851).

The matter concerns significant audit deficiencies identified from the Institute's practice review of JH CPA Alliance Limited. The practice review covered an audit of the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2016. Mr. Chan was the engagement director, and Mr. Sum was the engagement quality control reviewer.

The practice reviewer found that the audit team failed to obtain sufficient audit evidence, and prepare adequate documentation, on a number of material financial statements items pertaining to the subject company's acquisition of a business. Those items comprised a promissory note issued by the company as part of the consideration paid, a profit guarantee given by the vendor of the business, and impairment of the goodwill acquired.

As a result of the above:

- (a) Mr. Chan failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing ("HKSA") 230 *Audit Documentation*, HKSA 500 *Audit Evidence* and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
- (b) Mr. Sum failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

Settlement agreement

The Council of the Institute has agreed with Mr. Chan and Mr. Sum that:

1. Both of them acknowledge the facts of the case and areas of non-compliance with professional standards;
2. Both of them be reprimanded; and

3. Mr. Chan pay a financial penalty of HK\$75,000 and costs of HK\$63,000, and Mr. Sum pay a financial penalty of HK\$60,000 and costs of HK\$31,500.

The Institute considers a settlement on the agreed basis to be in the public interest. In the circumstances, the Institute is satisfied that there is no purpose to be served in pursuing disciplinary proceedings.

HKICPA Settlement Process

The interests of the public, the profession and Council's regulatory function may be best served by early resolution of complaints which are either anticipated to result in disciplinary proceedings or are already the subject of disciplinary proceedings. Settlement requests will be assessed based on established criteria. Appropriate sanctions will be based on the nature and gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. The HKICPA will not agree to a settlement unless the matter is subject to publicity in A Plus, press release, and other means deemed appropriate.

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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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