



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

(HONG KONG, 19 September 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (“the Institute”) reprimanded Mr. Yip Hing Lam, Peter, certified public accountant (practising) (A01360), Mr. Leung Ka Fai, certified public accountant (practising) (A21521) and Yip Leung & Co. (2091) (collectively “Respondents”) on 12 August 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Yip, Leung and Yip Leung & Co. to pay a penalty of HK\$120,000, HK\$120,000 and HK\$100,000 respectively, and to jointly pay costs of the Institute of HK\$44,866.

Yip Leung & Co. was the auditor of a private company from 2009 to 2016. Yip was the engagement partner from 2009 to 2013. Leung was the engagement partner from 2014 to 2016 while Yip acted as the engagement quality control reviewer in those audits.

Throughout the engagements, Yip’s close family members were directors and shareholders of the client company. Yip also became a shareholder of the company in 2014. As a result, there were significant threats to the auditor’s independence. Yip and Leung failed to properly address those threats, while Yip Leung & Co. failed to establish adequate policies and procedures to ensure that its audit staff and audit engagements complied with independence requirements.

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 Yip and Leung failed or neglected to observe, maintain or otherwise apply section 290 of the Code of Ethics for Professional Accountants, and that Yip Leung & Co. failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order under section 35(1) of the ordinance. The Committee noted independence is a fundamental principle of the profession. The Committee also noted that the breach was serious as it occurred over a period of eight 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 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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