



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

(HONG KONG, 2 Aug 2022) The Hong Kong Institute of Certified Public Accountants has settled regulatory proceedings with Mr. Ip Pui Sum, certified public accountant (practising) (A02807) concerning alleged non-compliance with its professional standards.

The matter concerns the compliance reporting and financial statements audit conducted by Sum, Arthur & Co. on an insurance broker for the year ended 31 December 2018. The firm expressed an unmodified auditor's opinion on each of the two engagements. Mr. Ip was the engagement partner.

The Institute concluded a practice review of Sum, Arthur & Co. in November 2021 and identified deficiencies in the above two engagements. There were inadequate procedures carried out in testing the insurance broker's compliance with statutory requirements on professional indemnity insurance, handling of client monies and reconciliation of brokerage debtor and creditor balances. Deficiencies pertaining to the audit of the financial statements were also found in the firm's procedures relating to planning and tests of internal controls, material account balances and maintaining of proper audit documentation.

As a result of the above, Mr. Ip failed or neglected to observe, maintain or otherwise apply the following professional standards:

- Hong Kong Standard on Auditing ("HKSA") 230 *Audit Documentation*;
- HKSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*;
- HKSA 320 *Materiality in Planning and Performing an Audit*;
- HKSA 330 *The Auditor's Responses to Assessed Risks*;
- HKSA 500 *Audit Evidence*;
- HKSA 530 *Audit Sampling*; and
- the fundamental principle of professional competence and due care as specified in section 110.1 A1(c), as elaborated in section R113.1, under Chapter A of the Code of Ethics for Professional Accountants.

Settlement Agreement

The Council of the Institute has agreed with Mr. Ip that:

1. Mr. Ip acknowledge the facts of the case and areas of non-compliance with professional standards;
2. Mr. Ip be reprimanded;
3. Mr. Ip pay a financial penalty of HK\$120,000 and costs of HK\$50,000.

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.

- End -

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 nearly 47,000 members and 14,000 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.

Hong Kong Institute of CPAs' contact information:

Edward Ma

Public Relations Manager

Corporate Communications

Phone: 2287-7002

Email: media@hkipa.org.hk