



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

(HONG KONG, 19 December 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Miss Chan Mei Mei, certified public accountant (practising) (F05390), Mr Ho Yiu Hang, Ricky, certified public accountant (practising) (A25768) and Asian Alliance (HK) CPA Limited (M0331) (collectively “Respondents”) on 4 November 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee ordered that the practising certificates of Chan and Ho be cancelled, with no issuance of practising certificates to Chan and Ho for 36 months and 24 months respectively, to be effective from 16 December 2019. Further, Chan, Ho and Asian Alliance were ordered to pay a penalty of HK\$150,000, HK\$110,000 and HK\$200,000 respectively, and to jointly pay costs of the Institute and the Financial Reporting Council (“FRC”) totalling HK\$466,869.60.

Asian Alliance (formerly known as Zhonglei (HK) CPA Company Limited) audited the consolidated financial statements of Neo Telemedia Limited, a Hong Kong listed company, and its subsidiaries (collectively “Group”) for the years ended 30 June 2011 and 2012. Chan was the engagement director and Ho was the engagement quality control reviewer (“EQCR”) of the audits.

The Institute received a referral from the FRC about audit irregularities concerning certain acquisition transactions entered into by the Group. The Respondents failed to identify the incorrect classification and measurement of a contingent consideration payable by the Group in one of the acquisitions. In addition, the Respondents failed to perform sufficient audit procedures and prepare adequate documentation in respect of assessing the impairment of goodwill and other intangible assets arising from the acquisitions.

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 as follows:

- (i) Chan and Asian Alliance failed or neglected to observe, maintain or otherwise apply the following professional standards:
 - Hong Kong Standard on Auditing (“HKSA”) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*;
 - HKSA 230 *Audit Documentation*;

- 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*;
 - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
 - HKSA 700 *Forming an Opinion and Reporting on Financial Statements*.
- (ii) Ho failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.
- (iii) Chan and Ho failed or neglected to observe, maintain or otherwise apply the fundamental principle of Professional Competence and Due Care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants in conducting their duties as engagement director and EQCR respectively.

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. The Committee noted that the public are entitled to expect practising accountants and corporate practices to discharge their duties and carry out their work to the highest standards. The Respondents' breaches negatively impacted the quality of their audit work and documentation. The breaches demonstrated a lack of professional competence and are therefore serious. The Committee further noted that it is important to maintain public confidence in the accountancy profession, and sanctions imposed should act as deterrence against non-compliance by accountancy professionals of the high standards expected of them.

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/>

- 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 more than 44,000 members and 18,000 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:

Ms Gemma Ho
Public Relations Manager
Phone: 2287-7002
Email: gemmaho@hkipa.org.hk

Ms Rachel So
Head of Corporate Communications and Member Services
Phone: 2287-7085
Email: rachelso@hkipa.org.hk