



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

(HONG KONG, 24 November 2021) The Hong Kong Institute of Certified Public Accountants has settled regulatory proceedings concerning alleged breaches of its professional standards by Mr. Chan Shek Chi, certified public accountant (practising) (A22613) and Mr. Yu Kwong Fat, certified public accountant (practising) (A07667).

The matter concerns audit deficiencies identified from the Institute's practice review of Cheng & Cheng Limited. The review covered the corporate practice's audit of the consolidated financial statements of a Hong Kong listed group for the year ended 31 December 2016. Mr. Chan was the engagement director, and Mr. Yu 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 material sums of deposits paid by the listed group for investment opportunities. Deficiencies were also noted in audit procedures performed and documentation prepared on trade and other receivables, inventories, deferred tax liabilities, stock options issued, legal claims, and property, plant and equipment. Furthermore, certain relevant audit working papers were left out of the final assembled audit file.

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 the fundamental principle of Professional Competence and Due care in sections 100.5(c) and 130 of the Code of Ethics for Professional Accountants; and
- (b) Mr. Yu 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. Yu 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\$100,000 and costs of HK\$25,900, and Mr. Yu pay a financial penalty of HK\$50,000 and costs of HK\$12,950.

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 47,000 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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