

## APPLICATION ON PAPERS

**CONSENT ORDERS CHAIR OF THE ASSOCIATION OF  
CHARTERED CERTIFIED ACCOUNTANTS****REASONS FOR DECISION**

<b>In the matter of:</b>	<b>Mr Chung Wing Jacky Muk</b>
<b>Considered on:</b>	<b>Thursday, 21 September 2023</b>
<b>Location:</b>	<b>Remotely via Microsoft Teams</b>
<b>Chair:</b>	<b>Ms Carolyn Tetlow</b>
<b>Legal Adviser:</b>	<b>Mr Robin Havard</b>
<b>Summary:</b>	<b>Reprimand</b>
<b>Costs:</b>	<b>£1,583</b>

**CONSTITUTION OF THE COMMITTEE**

1. A Consent Order is made on the order of the Chair under the relevant regulations.

**INTRODUCTION**

2. The Chair had considered a draft Consent Order, signed on 12 September 2023 by Mr Chung Wing Jacky Muk and a signatory on behalf of ACCA together with supporting documents in a bundle (pages 1 to 95), a detailed costs schedule (pages 1 to 2) and a simple costs schedule (page 1).

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3. When reaching their decision, the Chair had been referred by the Legal Adviser to the requirements of Regulation 8 of the Complaints and Disciplinary Regulations 2014 (as amended) ("CDR8") and had accepted their advice. The Chair had also taken account of the content of ACCA's documents entitled "Consent Orders Guidance" and "Consent Orders Guidance FAQs".
4. The Chair understood that Mr Chung Wing Jacky Muk was aware of the terms of the draft Consent Order and that it was being considered today.
5. The Chair also understood that Mr Chung Wing Jacky Muk was aware that he could withdraw his agreement to the signed draft Consent Order by confirming the withdrawal in writing. No such withdrawal had been received.

## **ALLEGATIONS**

### **Allegation 1**

6. Pursuant to byelaw 8(a)(vi), Mr Muk is liable to disciplinary action by virtue of action taken against him on 11 May 2022 by the Hong Kong Institute of Certified Public Accountants (HKICPA).

## **DECISION ON FACTS**

7. The Chair noted that the following summary of the facts, as set out in the Terms of Resolution by Agreement between Mr Muk (and others) and HKICPA, was agreed and therefore adopted them as their findings of fact.
8. On 25 June 2021, the Financial Reporting Council ("FRC") referred to the Institute an Investigation Report of the Audit Investigation Board ("AIB") concerning the audit conducted by Company B of the consolidated financial statements of Company A and its subsidiaries for the year ended 31 December 2015 ("2015 Financial Statements"). The 2015 Financial Statements disclosed that they were prepared in accordance with all applicable International Financial Reporting Standards.

9. Company B issued an unmodified opinion of the 2015 Financial Statements. Mr Muk was the engagement partner and Person A was the engagement quality control reviewer ("EQCR").
10. Deficiencies were identified in Company B's audit procedures performed on Company A's earnings per share ("EPS") reported in the 2015 Financial Statements.
11. In 2015, Company A issued ordinary shares as a result of the following events:
  - (a) On 17 July 2015, Company A issued bonus shares to its shareholders on the basis of 1 bonus share for every 100 shares held in Company A ("Bonus Issue").
  - (b) On 21 December 2015, Company A issued shares upon an open offer on the basis of 1 offer share for every 2 existing shares held in Company A at an offer price of \$0.2 per share ("Open Offer"). The offer price was lower than the prevailing closing price of the shares.
12. The Bonus Issue and Open Offer both contained a bonus element, which caused an increment in the number of ordinary shares for nil consideration. In the circumstances, the weighted average number of ordinary shares outstanding in 2015 and 2014 should have been retrospectively adjusted when calculating the 2015 and 2014 EPS as disclosed in the 2015 Financial Statements, in accordance with International Accounting Standard 33 *Earnings per Share* ("IAS 33").
13. Contrary to the requirements of IAS 33, Company A only took into account the effect of the Bonus Issue and Open Offer from the date of issue in the calculation of the weighted average number of ordinary shares, without restating the number of shares outstanding as if the Bonus Issue were made at the earliest time in the reported periods (i.e. 1 January 2014), and without making retrospective adjustment to the number of shares for the effect of the bonus issue element contained in the Open Offer.

14. The complaint against Company B and Mr Muk was that the working papers showed that the auditor accepted Company A's EPS calculation and failed to identify Company A's non-compliance with IAS 33.
15. Based on the above, Company B and Mr Muk as the engagement partner failed to act diligently in their performance of the audit and to maintain professional knowledge and skills at the level required in accordance with sections 100.5(c) and 130.1 of the HKICPA Code of Ethics for Professional Accountants ("Code").
16. Based on such findings, and with the consent of Company B and Mr Muk, the Council of HKICPA imposed a public reprimand, and imposed administrative penalties of HK\$50,000 on Company B and HK\$35,000 on Mr Muk, together with costs of HKICPA of HK\$15,000 and FRC's costs of HK\$127,905.07

#### **DECISION ON ALLEGATIONS AND REASONS**

17. In accordance with CDR8, the Chair has the power to approve or reject the draft Consent Order or to recommend amendments. The Chair can only reject a signed draft Consent Order if they are of the view that the admitted breaches would more likely than not result in exclusion from membership.
18. The Chair was satisfied that there was a case to answer and that it was appropriate to deal with the complaint by way of a Consent Order. The Chair considered that the Investigating Officer had followed the correct procedure.
19. The Chair considered the bundle of evidence and, on the basis of the admissions of the allegations by Mr Chung Wing Jacky Muk, found the facts of the allegations proved. They therefore justified disciplinary action.

#### **SANCTION AND REASONS**

20. In deciding whether to approve the proposed sanction of a reprimand, and for Mr Chung Wing Jacky Muk to pay ACCA's costs in the sum of £1,583, the Chair had considered the Guidance to Disciplinary Sanctions ("the Guidance"), including the key principles relating to the public interest, namely: the protection of members of the public; the maintenance of public confidence in the

profession and in ACCA; and the need to uphold proper standards of conduct and performance. The Chair also considered whether the proposed sanction was appropriate, proportionate and sufficient.

21. In reaching her decision, the Chair had noted the following aggravating feature, as identified by ACCA:

- The conduct which led to Mr Chung Wing Jacky Muk being the subject of regulatory action by HKICPA fell below the standards expected of a qualified ACCA member. As such his conduct has brought discredit upon himself, ACCA and the accountancy profession.

22. However, the Chair did not consider this amounted to an aggravating feature as this related to the definition of misconduct which had not been alleged.

23. In deciding that a reprimand was the most suitable sanction, paragraphs C4.1 to C4.5 of ACCA's Guidance have been considered and the following mitigating factors had been identified by ACCA:

- Mr Muk has complied with HKICPA's directions and advice provided by HKICPA;
- The conduct is unlikely to be repeated as Mr Muk no longer practices since his resignation from Company B and he has relinquished his PC with HKICPA;
- Mr Muk has shown insight by making admissions to both HKICPA and ACCA;
- Mr Muk has acknowledged his failings and apologised for the events which led to the complaints soon after the complaints were brought to HKICPA's attention;
- No evidence of concealment;

- No evidence of dishonesty or a lack of integrity;
  - The investigation has not found evidence suggesting Mr Muk's conduct was in deliberate disregard of his professional obligations;
  - There does not appear to be any continuing risk to the public;
  - The disciplinary action taken by the relates to a single incident; and
  - Early admission.
24. The Chair considered that the mitigating features were supported by documentary evidence and were relevant. The Chair also noted that Mr Muk had self-reported promptly to ACCA the HKICPA proceedings and their outcome.
25. In the Chair's judgement, and when considering the criteria set out in the Guidance, the conduct was such that the public interest would not be served by making no order, nor would an admonishment adequately reflect the seriousness of Mr Muk's conduct.
26. Therefore, the Chair concluded that it would be proportionate and sufficient to impose a reprimand to reflect the seriousness of the findings against Mr Muk.
27. In all the circumstances, the Chair was satisfied that the sanction of a reprimand was appropriate, proportionate, and sufficient.

#### **COSTS AND REASONS**

28. ACCA was entitled to its costs in bringing these proceedings. The claim for costs in the sum of £1,583, which had been agreed by Mr Chung Wing Jacky Muk, appeared appropriate.

## **ORDER**

29. Accordingly, the Chair approved the terms of the attached Consent Order. In summary:
- a. Mr Chung Wing Jacky Muk shall be reprimanded; and
  - b. Mr Chung Wing Jacky Muk shall pay costs of £1,583 to ACCA.

**Ms Carolyn Tetlow**  
**Chair**  
**21 September 2023**