

# THE TRUST BUILDER

**W**hen Ivan Chan, Practising Director at Mazars, decided to go into auditing, he never imagined his job would involve having to learn about radioactive isotopes.

“One of my clients traded uranium, so I needed to know all about uranium and its different isotopes. They all have different numbers of neutrons and not all of them can be used to generate nuclear power,” he remembers.

For another client, he found himself having to track fluctuations in oil prices due to the impact it had on the cost of plastic. “Plastic is used a lot in industry and because its component is a byproduct of petroleum. I needed to know how the price of oil would affect the price of plastic,” explains Chan, a Hong Kong Institute of CPAs member.

Over the years, Ivan Chan has seen what makes audit attractive yet tough – from technological developments impacting the nature of the work to greater accountability and scrutiny. The Practising Director at Mazars tells **Nicky Burridge** about his varied role and how he is constantly adapting

Photography by Calvin Sit







## ACCOUNTANT PLUS

Ivan Chan

Ivan Chan has 20 years' experience in auditing companies, ranging from small- and medium-sized entities to listed companies in Hong Kong and overseas.



This need to learn about a wide range of things and understand the potential impact events around the world could have on his clients is one of the things Chan likes most about auditing. “People think auditing is just about figures, but it about so much more,” he says.

He also relishes the varied nature of an auditor’s work. “You see a lot of different companies and meet a lot of different people in our work, and I really enjoy that.” Chan’s clients over the years have ranged from a wine importer to a company that specialized in the relocation of prestige machinery, to a car manufacturer. “When I was auditing the car manufacturer, I would see how a car was made. It was very complicated,” he says.

Chan adds that auditors not only audit accounts for companies, but they may also be engaged in an initial public offering as the reporting accountant or carry out other transaction related services. “In just one year, you will see a lot of different things and do various types of work.”

### A stable career

Chan joined Mazars as an auditor immediately after graduating from the Hong Kong University of Science and Technology with a bachelor of business administration in accounting. “My career has been really very stable. I have worked with my fellow partners here for 20 years,” he says. It was this stability that attracted him to auditing in the first place, as well as the opportunity to interact with a variety of companies.

Chan has worked his way up through the ranks of Mazars. He says his two most memorable milestones are becoming a CPA and being appointed as practising director. As practising director, he finds himself juggling a number of different roles. “First of all, I need to work on my own assignments and engagements, review the work of people within my team and communicate with the team,

clients and other professionals.” At the same time, he has to manage Mazars as an organization, monitoring staffing levels and other resources and managing risk. “I need to think more about how to run the business and attract and develop new talents. It is not easy.”

In addition, he continues to bring in business. “As practising director you are also in sales. You have to go and sell to people and bring in business, then you also have to lead the team performing the work. The role of practising director is a multifaceted one, which is full of excitement,” Chan says.

While most of the audit groundwork is now carried out by his colleagues, he still needs to give advice, resolve any issues they may be having, help find solutions and lead the team. “There is a lot of communication,” he adds.

Chan sees risk management as being the biggest challenge he faces in his role as practising director, pointing out that there is a lot of risks in the work auditors carry out.

He gives the example of auditing a company with investments in an emerging industry. “The investment may be in its initial stage. It may have a very good business plan, but it is still just a plan at this time. The industry is still quite new, there is not a lot of history, so deciding whether it is a successful investment or not involves a lot of judgement,” he explains. “We need to decide if the forecast is correct or not and this involves a risk, which needs to be managed.” For example, his team manage these risks through carrying out a detailed and in-depth review of the business and the business plan, holding discussions with management and conducting a feasibility study. “We also do a careful examination of the various assumptions, make comparisons with similar businesses and operations, and seek other expert or professional advice if necessary,” he says.

Another challenge is the high level of competition in Hong Kong.

“Whether you are a big firm or a small firm, it is very challenging. You have to provide a excellent service at a lower price.”

He also needs to manage costs and human resources, which can be difficult given the cyclical nature of the work done by auditors. He points out that if a firm is focused on auditing listed companies, given that most listed companies have a December year-end and have to announce their results within three months of this date, most of its clients will need to publish their results by the end of March. “The peak season has been squeezed to three months, so you always find that you do not have enough resources during those three months. But, at the same time, after the peak season, there may be excessive resources, as you may not have enough work for your people,” he says. “I look at it positively, it is all of these challenges that make the work interesting. Audit is always challenging work.”

### A changing profession

One of the biggest changes Chan has seen in his 20 years of working in audit is the impact technology has had on the field. “IT brings a lot of convenience. Twenty years ago, you had to travel for your assignments, and it was difficult to communicate. Now, with technology, you can work remotely.”

He adds that technology is also creating new challenges for the audit profession, such as how cryptocurrencies, like bitcoin, should be audited. “This area is still very high risk, and there are still a lot of technical issues that cannot be resolved at the moment. I think it will change the industry quite a lot,” he says.

But despite advances in technology, Chan does not think it will ever replace auditors completely. “I foresee technology helping us and providing analysis, but at the end of the day, people will still be the ones who think about what the figures really tell you and what they mean



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for the company,” he says.

He adds that big data can help by giving information on trends, and auditors can compare their clients’ data with the data of other businesses in the same sector, but they will still need to have an analytical mind to understand what everything means.

Chan thinks globalization and increased economic connectivity has also made the work of auditors more complicated. He points out that many companies in Hong Kong are either investment companies or holding companies, and while their head office may be in the city, their operations are usually somewhere else. “A company may have a lot of subsidiaries and their businesses could be all over the world. In order to audit that type of company, you really need to be part of an international firm and have connections with member firms in different countries, so that they can carry out the work in those countries and give you assistance in understanding local laws you may not be familiar with,” he says. But alongside the challenges.

Chan thinks globalization also offers opportunities as companies increase both their inbound and outbound investment, creating increased demand for accountants’ services. “New investors may need services like due diligence, reorganization and tax planning etc. In particular, for listed companies, the publication of investment circulars would generally require the involvement of reporting accountants,” he says.

## Increased scrutiny

The audit profession has come under increased scrutiny in recent years, with regulators and policymakers interested in the quality of audits.

For Chan, this highlights the importance of ensuring robust risk management is in place throughout the audit process. “Risk management is not just something you do at

the end when you sign off on the accounts, there are many things you need to do at the beginning when you accept a client,” he says.

He adds that as the world changes, so do the risks auditors have to be aware of and manage. “This is why we are always thinking about different practices for different industries, and strengthening the audit and quality control. The quality control within an audit firm itself can help to identify potential risks at an early stage, enabling you to minimize their impact,” he says.

There is also a growing trend for auditors to be asked to perform non-financial statement assurance services in areas such as a company’s environmental, social and governance performance or its sustainability reporting. Chan says: “It is an interesting development. People think an auditor is like superman and he or she should know everything. We are trying to rectify what an auditor can do in non-financial areas, but it is not perfect and there are limitations as we are not experts in every aspect.”

He adds that further clarification and communication with stakeholders may be required to understand exactly what is expected of them in different areas. He gives the example of Hong Kong’s Product Eco-responsibility (Regulated Electrical Equipment) Regulation, under which suppliers of regulated electronic equipment are required to provide recycling labels for the equipment and pay a recycling levy. “The government requires an audit report on the records kept by registered suppliers.”

## Introducing new standards

Alongside his work at Mazars, Chan is also a member of the Institute’s Auditing and Assurance Standards Committee, which is responsible for gathering and communicating information relating to auditing and assurance between the stakeholders

in Hong Kong and the International Auditing and Assurance Standards Board (IAASB).

Chan explains that he joined the committee because, having worked in the audit field for years, he was keen to use his experience, expertise and knowledge to contribute to the development of auditing and assurance standards. “It is a pleasure to be part of this committee, not just to contribute, but I also learn a lot from others, in particular, in areas with which I was not familiar. There are lots of papers and material to read,” he says.

The committee oversees the adoption of new and revised standards on auditing and assurance from the IAASB. “It basically divides into international and local work. As Hong Kong follows international standards, our international work involves sharing the IAASB’s exposure drafts and other requests for comment within Hong Kong and giving our feedback,” Chan says.

When a new standard is approved by the IAASB, the committee then develops the appropriate local standard on auditing. “For the local work, the committee also needs to develop local Practice Notes, Auditing and Assurance Bulletins, Technical Bulletins, Circulars and etc. to provide information and/or guidance to members. We also develop standards for reporting accountants in the conduct of engagements involving investment circulars intended to be issued in connection with securities transactions.”

In addition, the committee works closely with the Institute’s departments, flagging up areas in which members may need more training, and identifying current and developing issues that may be suitable topics for continuing professional development and education events. One area in particular that Chan currently thinks needs attention is the audit of group financial statements. “With





Chan graduated from the Hong Kong University of Science and Technology with a bachelor of business administration in accounting.

the increasing number of audits of group financial statements and the involvement of component auditors, I think practising members may need to focus on the documentation of the audit of group financial statements,” he says. But Chan adds that while the committee takes a leading role in these areas, much of the groundwork is carried out by the Institute’s staff.

### Advice for auditors

For those interested in going into auditing, Chan says they must be prepared to work hard due to the long hours they will have to put in during the peak season, while they must also be proactive about learning new things and studying new accounting and auditing standards when they come out. “If you are prepared to learn and work hard and gain experience, then audit will be very good for you,” he says.

In addition, he stresses that people must have an analytical mind. “You need to think about what the figures tell you and whether they make sense to you. You need common sense, as well as knowledge,” he says. Interpersonal skills, such as being able to communicate and negotiate, are also important, as well as being a good problem solver.

Finally, he suggests aspiring auditors should ensure they have a solid grounding in accounting. “I think to be a good auditor, you have to be a good accountant. When you are doing the audit, apart from verification [of the figures], you also have to comment on whether the application of the accounting standards is correct or not. You need to know about all of the accounting standards because companies are always asking for your advice.”

### Striking a balance

When he is not working, Chan likes to spend time with his family. “I try my best to find a good work-life balance. I have two children, and I try to spend more time with them. If it is a school holiday, we will travel to Japan and Southeast Asian countries for short trips and the United States and Canada for long ones,” he says.

He adds that after a very stressful day at work, it is important to find a way to relax when you get home. “Sometimes when I get home, I just listen to music. I like all types of music, particularly jazz. I also enjoy watching movies and sports, especially football.”

Despite the reputation auditors have for working long hours, Chan thinks it is possible to achieve a good work-life balance. “It just depends on how you manage your time.”

