



Dear Assignment/News/Business Section Editor

## **Hong Kong Institute of Certified Public Accountants takes disciplinary action against one certified public accountant**

(HONG KONG, 8 September 2015) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded So Yin Wai, Alex (membership number F06239 ) on 26 August 2015 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute, and ordered him to pay a penalty of HK\$20,000 to the Institute. In addition, So was ordered to pay costs of the disciplinary proceedings of HK\$16,118.

So audited the financial statements of a private company and expressed an unmodified opinion in his auditor's report. However, So failed to obtain sufficient appropriate audit evidence in respect of cash and cash equivalents reported in the financial statements. As a result, the balance was materially overstated. After considering the information available, the Institute lodged a complaint against So under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

So admitted the complaint against him. The Disciplinary Committee found that So had failed or neglected to observe, maintain or otherwise apply paragraph 6 of the Hong Kong Standard on Auditing 500 Audit Evidence.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against So under section 35(1) of the ordinance.

Under the ordinance, if So is aggrieved by the order, he may give notice of an appeal to the Court of Appeal within 30 days after he is served the order.

The order and findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. Three members of each committee, including a chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interest of justice. A hearing schedule is available at the Institute's website. A CPA who feels aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions include temporary or permanent removal from membership or cancellation of a practicing certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

- End -

## **About the Hong Kong Institute of Certified Public Accountants**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has nearly 39,000 members and more than 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world’s leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

### **Hong Kong Institute of CPAs’ contact information:**

Stella To

Head of Corporate Communications

Phone: 2287 7209

Mobile: 9027 7323

Email: [stella@hki CPA.org.hk](mailto:stella@hki CPA.org.hk)



致：編採主任／新聞／財經版編輯

## 香港會計師公會對一名會計師作出紀律處分

(香港，二零一五年九月八日) — 香港會計師公會轄下一紀律委員會於二零一五年八月十九日就蘇彥威先生(會員編號：F06239) 沒有或忽略遵守、維持或以其他方式應用公會頒布的专业準則，對蘇先生作出譴責，並命令他須繳付罰款二萬港元予公會。此外，蘇先生須支付紀律程序的費用一萬六千一百一十八港元。

蘇先生為一間私人公司審核財務報表，並發出了無修正意見的核數報告。然而，蘇先生因未能就財務報表中現金及等同現金項目，獲得充分及適當的核數證據，以致嚴重誇大了結餘。公會經考慮所得的資料，根據《專業會計師條例》第34(1)(a)(vi)條對蘇先生作出投訴。

蘇先生承認投訴中的指控屬實。紀律委員會裁定蘇先生沒有或忽略遵守、維持或以其他方式應用公會的Hong Kong Standard on Auditing 500 Audit Evidence 第6段。

經考慮有關情況後，紀律委員會根據《專業會計師條例》第35(1)條向蘇先生作出上述的命令。

根據《專業會計師條例》，如蘇先生不服紀律委員會對她作出的命令，可於命令文本送達後30天內向上訴法庭提出上訴。

紀律委員會的書面判決可於公會網頁內Compliance 部分查閱，網頁為 <http://www.hkicpa.org.hk>。

公會的紀律程序是根據《專業會計師條例》第V部份，由五位成員組成的紀律委員會執行。每個紀律委員會的大多數成員，即包括主席在內的三名成員，是從業外人士組成的紀律小組中選派，該紀律小組的成員是由香港特別行政區行政長官委任的；另外兩名成員由專業會計師出任。

除非負責的紀律委員會因公平理由認為不恰當，否則紀律聆訊一般以公開形式進行。紀律聆訊的時間表可於公會網頁查閱。如當事人不服紀律委員會的裁判，可向上訴法庭提出上訴，上訴法庭可確定、修改或推翻紀律委員會的裁判。

紀律委員會有權向公會會員、執業會計師事務所會員及註冊學生作出處分。紀律處分範圍包括永久或有限期地將違規者從會計師註冊紀錄冊中除名或吊銷其執業證書、對其作出譴責、下令罰款不多於五十萬港元，以及支付紀律程序的費用。

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## 關於香港會計師公會

香港會計師公會是香港唯一獲法例授權負責專業會計師註冊兼頒授執業證書的組織，會員人數接近三萬九千，註冊學生人數超過一萬八千。公會會員可採用「會計師」稱銜（英文為 **certified public accountant**，簡稱 **CPA**）。

公會(**Hong Kong Institute of Certified Public Accountants**)於一九七三年一月一日成立，當時的英文名稱為 **Hong Kong Society of Accountants**。

公會根據《專業會計師條例》履行職責，以公眾利益為依歸。其職能廣泛，包括開辦專業資格課程(**Qualification Programme**)以確保會計師的入職質素，以及頒布香港的財務報告、審計及專業操守準則。此外，公會亦負責在香港監管和推動優良而有效的會計實務，以鞏固香港作為國際金融中心的領導地位。

香港會計師公會是全球會計聯盟 (**Global Accounting Alliance, GAA**) 的成員之一。全球會計聯盟於二零零五年成立，聯合了全球頂尖的專業會計團體，推動優質服務，並積極與各地監管機構、政府及關連人士就國際重要議題共同合作。

## 香港會計師公會聯絡資料

杜幼儀

傳訊部主管

直線電話：2287 7209

手提電話：9027 7323

電子郵箱：[stella@hkcipa.org.hk](mailto:stella@hkcipa.org.hk)

IN THE MATTER OF

A Complaint made under section 34(1)(a) of the  
Professional Accountants Ordinance (Cap. 50)

BETWEEN

The Registrar of the Hong Kong                      COMPLAINANT  
Institute of Certified Public  
Accountants

AND

SO Yin Wai, Alex (F06239)                      RESPONDENT

Members: Ms. LAU, Queenie Fiona (Chairman)  
Miss TSUI, Pui Man, Winnie  
Ms. WAN, Yuen Yung  
Mr. LAU, Chi Pong, Howard  
Mr. CHU, Yau Wing, Jason

**ORDER & REASONS FOR DECISION**

**A. Background**

1. This is a complaint made by the Registrar (the “**Registrar**”) of the Hong Kong Institute of Certified Public Accountants (the “**Institute**”) against Mr. SO Yin Wai, Alex (F06239), the Respondent.
  
2. In summary, the complaint is that the Respondent is in breach of section 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap. 50) (the “**PAO**”). When carrying out the audit of the financial statements of a private company, **Crowning Engineering Limited (the “Company”)**, for the period from 1 January 2010 to 31 March 2011 (the “**2011 Financial Statements**”), the Respondent failed or neglected to observe, maintain or otherwise apply a professional standard, namely paragraph 6 of the Hong Kong Standard on Auditing (“**HKSA**”) 500 *Audit Evidence*, by failing to obtain sufficient appropriate audit evidence in respect of the Cash and Cash Equivalents balance reported in the 2011 Financial Statements (the “**Cash Balance**”).

**B. Relevant professional standards and statutory provisions**

3. HKSA 500 *Audit Evidence*, paragraph 6 states:

*“The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.”*

4. Further, section 34 of the PAO provides that:

*“(1) A complaint that-*

*(a) a certified public accountant-*

*...*

*(vi) failed or neglected to observe, maintain or otherwise apply a professional standard;*

*...*

*shall be made to the Registrar who shall submit the complaint to the Council which may, in its discretion but subject to section 32D(7), refer the complaint to the Disciplinary Panels.”*

**C. The Complaint**

5. By a letter dated 1 September 2014, the Registrar of the Institute informed the Council of the Institute of a complaint received by the Institute concerning the audit of the 2011 Financial Statements of the Company by Alex So & Co., a certified public accounting firm (Firm no. 0952). The Respondent is the sole proprietor of the firm.
6. In brief, the complaint is that the Cash Balance had been materially overstated by HK\$3,700,000.00.
7. Alex So & Co. issued an unmodified auditor's report on the 2011 Financial Statements on 15 November 2011. The auditor's report stated that the audit was conducted in accordance with the HKSA.

8. According to the 2011 Financial Statements, the Cash Balance was reported at HK\$3,722,176.00 as of 31 March 2011, and mainly comprised an amount of HK\$3,767,398.00 held at Hang Seng Bank as of 31 March 2011.
9. A cheque of HK\$3,700,000.00 deposited into the Company's Hang Seng Bank account on 31 March 2011 was returned by the bank on 1 April 2011. However, there was no information showing that the amount of HK\$3,700,000.00 had been remitted back into the Company's bank account up to the date of auditor's report.
10. Paragraph 6 of HKSA 500 *Audit Evidence* requires the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.
11. Yet the returned cheque of HK\$3,700,000.00 identified in the working papers, which represented 46% of the current assets and 74% of the net assets of the Company, had not been reflected or disclosed in the 2011 Financial Statements.
12. In the premises, the Respondent had failed to obtain sufficient appropriate evidence to support the amount of HK\$3,700,000.00 being included in the Cash Balance.

**D. The proceedings**

13. In response to the Institute's invitation for the Respondent to provide representations in respect of the aforementioned complaint against him, by paragraph A3 of a letter dated 13 February 2014, the Respondent admitted the mistake in relation to the Company's Cash Balance.
14. At the onset of the proceedings, by a letter dated 30 September 2014, the Respondent admitted the Complaint against him.
15. The only outstanding matter is the question of sanctions which ought to be imposed upon the Respondent.

**E. The sanctions**

16. In terms of sanctions and costs, the Institute and the Respondent have made submissions dated 29 May 2015 and 1 June 2015 respectively.
17. In particular, the Institute has drawn the Committee's attention to two previous cases, D-12-0685C and D-11-0528C, which it submits are similar to the present case. At the same time, the Institute's submission is that there is a higher public interest in the present case than those two previous cases:
  - 17.1 The Company was listed as an Approved Contractor under the Public Works Department of the Hong Kong

Government, and the 2011 Financial Statements audited by the Respondent were submitted to the Public Works Department for the purpose of the Company's application for retention on the list of Approved Contractors.

17.2 The application is generally assessed based on whether the applicant's working capital meets the requisite financial criteria, and the dishonoured cheque in the present case would have an effect of a misclassification of an amount receivable as cash in the financial statements. Such a misclassification may affect the level of working capital recognised for the purpose of the application, though there is no conclusive evidence indicating that the Company could not meet the working capital requirement had the effect of the dishonoured cheque been appropriately adjusted.

17.3 Nevertheless, given that the Respondent was aware of the existence of the dishonoured cheque during the audit, he ought to have followed up on the matter by either making an appropriate adjustment or issuing a qualified audit opinion stating the financial effect.

18. The Institute proposes that the Respondent be reprimanded and pay a financial penalty, and bear the costs and expenses of the Institute. The Institute has provided a Statement of Costs dated 29 May 2015 totalling HK\$16,118.00.

19. In the Respondent's submissions, he expressed regret over the material events and states that he has learnt his lesson. He asks for leniency. He suggests a financial penalty of not more than HK\$20,000.00.
  
20. Of the two cases that the Institute has highlighted as being similar to the present case, the Committee has the following observations:
  - 20.1 D-11-0528C is of limited assistance given that the Reasons for Decision did not set out the factual background in much detail, and one cannot see what exactly the Respondent did that was in breach of the various standards.
  
  - 20.2 As to D-12-0658C, the present case is similar to the "Second Complaint" in that case, but it should also be noted there were two complaints within that "Second Complaint" (rather than one as in the present case), as well as a "First Complaint" (which does not have a parallel in the present case).
  
21. In arriving at the proper sanctions to be imposed on the Respondent, the Committee has had regard to the facts and matters specific to this case, including the public interest in light of the special features concerning the Company which the Institute has drawn the Committee's attention to.

22. In considering the proper order to be made in this case, the Committee has had regard to all the aforesaid matters, including the particulars in support of the Complaint, the Respondent's personal circumstances, the parties' submissions, the previous cases referred to us (although we bear in mind that each case must be decided upon its own particular facts) and the conduct of the Complainant and the Respondent throughout the proceedings.

23. The Disciplinary Committee orders that:

23.1 The Respondent be reprimanded under section 35(1)(b) of the PAO;

23.2 The Respondent do pay a penalty of HK\$20,000.00 pursuant to section 35(1)(c) of the PAO; and

23.3 The Respondent do pay the costs and expenses of and incidental to the proceedings of the Institute in the sum of HK\$16,118.00 pursuant to section 35(1)(iii) of the PAO.

Dated the 26th day of August 2015