



Dear Assignment / News / Business Section Editor

## **Hong Kong Institute of Certified Public Accountants takes disciplinary action against a certified public accountant (practising)**

(HONG KONG, 4 December 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 21 November 2014 that the practising certificate of Chan Po Kau, Simon (membership number A06946) is to be cancelled with effect from 31 December 2014 and the same shall not be issued to him for the year 2015 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee also ordered him to pay a penalty of HK\$20,000 to the Institute. In addition, Chan was ordered to pay costs of the disciplinary proceedings of HK\$28,073.

Chan is the sole proprietor of Simon Chan & Co. ("Practice"). The Practice was selected for practice review in February 2010, and two follow up visits were conducted in December 2010 and February 2012. The main purpose of the two follow up practice review visits was to confirm whether the Practice had taken appropriate actions in response to findings identified during the practice reviews and the directions of the Institute's Practice Review Committee. The findings of the follow up visits indicated that the Practice continued to fail to take appropriate actions in response to the quality control deficiencies identified during practice reviews which include the failure to implement an adequate monitoring function. In addition, the practice review also identified a number of deficiencies in the Practice's audits and assurance engagements of two clients. After considering the information available, the Institute lodged a complaint against Chan under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

Chan admitted the complaint against him. The Disciplinary Committee found that Chan failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*", Hong Kong Standard on Auditing 230 "*Audit Documentation*" and Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*".

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

Under the ordinance, if Chan 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).

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

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interests 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.

The 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 practising certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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### **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 practicing certificates to certified public accountants in Hong Kong. The Institute has more than 37,000 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.

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致：編採主任／新聞／財經版編輯

## 香港會計師公會對一名執業會計師作出紀律處分

(香港，二零一四年十二月四日) —— 香港會計師公會轄下紀律委員會於二零一四年十一月二十一日就陳寶球先生(會員編號：A06946)沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則，命令於二零一四年十二月三十一日起註銷陳先生的執業證書，及公會不會給他發出二零一五年度執業證書。委員會並命令他繳付罰款二萬港元予公會。此外，陳先生須支付紀律程序的費用二萬八千零七十三港元。

陳先生為陳寶球會計師行的獨資經營者。該會計師行於2010年2月被公會的執業審核委員會挑選進行執業審核，並於2010年12月及2012年2月進行兩次跟進審核。該兩次跟進審核的主要目的是要確定該會計師行有否就審核人員於首次執業審核時所指出的問題，以及得到執業審核委員會的指引後作出相關的適當行動；審核人員卻發現該會計師行並未有改善在執業審核時發現到關於品質控制的缺失，當中包括沒有實施足夠的監控程序。此外，審核人員亦發現該會計師行為兩位客戶提供核數及其他核證項目時有多項不足之處。公會經考慮所得資料，根據《專業會計師條例》第34(1)(a)(vi)條對陳先生作出投訴。

陳先生承認投訴中的指控屬實。紀律委員會裁定陳先生沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則 —— Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements"、Hong Kong Standard on Auditing 230 "Audit Documentation" 及 Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"。

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)條向陳先生作出上述的命令。

根據《專業會計師條例》，如陳先生不服紀律委員會對他作出的命令，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部份查閱，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，是由香港特別行政區行政長官從業外人士組成的紀律小組中選派委任，另外兩名成員由專業會計

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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，會員人數超過三萬七千，註冊學生人數逾一萬八千。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

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IN THE MATTER OF

A Complaint made under section 34(1)(a) of the Professional Accountants Ordinance (Cap. 50) ("PAO") and referred to the Disciplinary Committee under section 33(3) of the PAO

BETWEEN

The Practice Review Committee of the      COMPLAINANT  
Hong Kong Institute of  
Certified Public Accountants

AND

Mr. Chan Po Kau Simon                      RESPONDENT  
(Membership No. A06946)

Members:      Mr. Cheung Kwok Kwan (Chairman)  
                    Mr. Law Japhet Sebastian  
                    Mr. Pong Po Lam Paul  
                    Mr. Chan Ho Yin Graham  
                    Mr. Stephen Chan

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**REASONS FOR DECISION**

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1. This is a complaint made by the Practice Review Committee of the Hong Kong Institute of Certified Public Accountants ("the Institute") as Complainant against the Respondent, Mr. Chan Po Kau Simon, a certified public accountant (practising). Section 34(1)(a)(vi) of the PAO applied to the Respondent.
2. The particulars of the Complaint as set out in a letter dated 9 July 2013 ("the Complaint") from the Practice Review Committee to the Registrar of the Institute for consideration of the Complaint for referral to the Disciplinary Panels were as follows:-
  - (1) Chan Po Kau, Simon ("Chan") is the sole proprietor of Simon Chan & Co (firm no.: 0925) (the "Practice").
  - (2) The Practice had been selected for practice review in February 2010 and was the subject of two further follow up visits that took place in

December 2010 and February 2012. The main purpose of the two follow up practice review visits was to confirm whether the Practice had taken appropriate actions in response to findings identified during the practice reviews and the directions of the Practice Review Committee (the "PRC").

- (3) In the course of reviewing the Practice during the February 2012 follow up visit, the reviewer noted that the Practice still failed to implement an adequate monitoring process of its practice, despite giving previous assurances that it would do so.
- (4) In addition, the reviewer had identified deficiencies in the Practice's audits and other assurance engagements of two regulated clients: Client M and Client ME.
- (5) Based upon those observations, the Institute wrote to Chan on 8 April 2013, seeking his explanations to the deficiencies noted on those two clients.
- (6) By its undated response which was received by the Institute on 22 May 2013, the Practice accepted that it had not fully implemented a monitoring process of the Practice. Further, in respect of the deficiencies in its audits and other assurance engagements of Client M and Client ME, the Practice advised that adequate audit work had been carried out on the areas identified but that those works had not been documented.

## **RELEVANT PROFESSIONAL STANDARDS**

- (7) Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" ("HKSQC 1")

"48. The firm shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process shall:

- (a) Include an ongoing consideration and evaluation of the firm's system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner;
- (b) Require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- (c) Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagement."

- (8) Hong Kong Standard on Auditing 230 "Audit Documentation" ("HKSA 230")

"5. The objective of the auditor is to prepare documentation that provides:

(a) A sufficient and appropriate record of the basis for the auditor's report;

and

(b) Evidence that the audit was planned and performed in accordance with HKSAs and applicable legal and regulatory requirements."

(9) Hong Kong Standard on Auditing 500 "Audit Evidence" ("HKSA 500")

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

(10) Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000")

"33. The practitioner should obtain sufficient appropriate evidence on which to base the conclusion."

"42. The practitioner should document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with HKSAEs."

## **SUMMARY OF PRINCIPAL ISSUES**

(11) The principal issues relate to the failure by Chan to:

(i) Establish a monitoring process designed to provide the Practice with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.

(ii) Perform audit procedures that are appropriate for the purpose of obtaining sufficient appropriate audit evidence or adequately document the evidence obtained and procedures performed in relation to the audit of Client M for the year ended 31 December 2010.

(iii) Obtain sufficient appropriate evidence and/or adequately document matters that were significant in providing evidence to support the conclusions on the following:

- Client ME's compliance with the Minimum Requirements under section 70(2) of the Insurance Companies Ordinance for the year ended 31 December 2010;

- Client M's compliance with the relevant rules in the Securities and Futures Ordinance for the year ended 31 December 2010.

## **THE COMPLAINTS**

### **The First Complaint**

(19) Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("PAO") applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 48 of HKSQC 1 as his Practice had not implemented adequate quality control policies and procedures.

### **The Second Complaint**

(20) Section 34(1)(a)(vi) of the PAO applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 6 of HKSA 500 in that he had failed to perform audit procedures that are appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of Client M for the year ended 31 December 2010.

### **The Third Complaint (in the alternative to the Second Complaint)**

(21) Section 34(1)(a)(vi) of the PAO applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 5 of HKSA 230 in that he had failed to adequately document the evidence obtained and procedures performed in relation to the audit of Client M for the year ended 31 December 2010.

### **The Fourth Complaint**

(22) Section 34(1)(a)(vi) of the PAO applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraph 33 and/or paragraph 42 of HKSAE 3000 in that there had been a failure to obtain sufficient appropriate evidence and /or adequately document matters that were significant in providing evidence to support the compliance reports dated 26 April 2011 and 9 June 2011 of Client M and Client ME, respectively, and that those engagements were performed in accordance with HKSAE 3000.



3. The Respondent admitted the First, Third and Fourth Complaint against him. He did not dispute the facts as set out in the Complaint. On 15 August 2013, the parties made a joint application to the Disciplinary Committee and they agreed that the steps set out in rules 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with. Having considered the earlier cases of *The Registrar of HKICPA v Chan Cheuk Chi*, and *An Investigation Committee of HKICPA v Wong Yat Fai and Ernst & Young re Global Trend Intelligent Technologies Limited*, the Committee would put the Second Complaint on record and it is not to be proceeded with.
4. On 12 May 2014, the Disciplinary Committee issued a Notice of Commencement of Proceedings, enclosing a procedural timetable and a full set of the complaint documents to the parties. The parties were requested to make written submissions to the Disciplinary Committee on sanctions and costs.
5. The Disciplinary Committee noted that the Respondent was found to have repeatedly failed to take appropriate actions in response to the quality control deficiencies identified during practice reviews. Despite giving assurances that it would do so, the Respondent still failed to implement adequate measures to address these deficiencies. As evidenced in the written submissions on sanction dated 23 June 2014, the Respondent had taken no action to address these deficiencies up to date.
6. In considering the proper order to be made in this case, the Disciplinary Committee has had regard to all the aforesaid matters, including the particulars in support of the Complaint, the parties' submissions on sanction and cost and their conduct throughout the proceedings.
7. The Disciplinary Committee ORDERS that:-
  - (1) the practising certificate issued to the Respondent in 2014 be cancelled under section 35(1)(da) of the PAO and it shall take effect on the 40<sup>th</sup> day from the date of this order;
  - (2) a practising certificate shall not be issued to the Respondent for the year 2015 under section 35(1)(db) of the PAO;
  - (3) the Respondent pay a penalty of HK\$20,000 under section 35(1)(c) of the PAO; and
  - (4) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$28,073 under section 35(1)(iii) of the PAO.

Dated the 21<sup>th</sup> day of November 2014

IN THE MATTER OF

A Complaint made under section 34(1)(a) of the Professional Accountants Ordinance (Cap. 50) ("PAO") and referred to the Disciplinary Committee under section 33(3) of the PAO

BETWEEN

The Practice Review Committee of the  
Hong Kong Institute of Certified Public Accountants

COMPLAINANT

AND

Mr. Chan Po Kau Simon  
(Membership No. A06946)

RESPONDENT

Members:     Mr. Cheung Kwok Kwan (Chairman)  
                  Mr. Law Japhet Sebastian  
                  Mr. Pong Po Lam Paul  
                  Mr. Chan Ho Yin Graham  
                  Mr. Stephen Chan

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**ORDER**

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Upon reading the complaint against MR. CHAN PO KAU SIMON, a certified public accountant (practising), as set out in a letter from the Practice Review Committee of the Institute ("the Complainant") dated 9 July 2013, the written submissions of the Complainant dated 28 May 2014 and the Respondent dated 23 June 2014, and other relevant documents, the Disciplinary Committee is satisfied by the admission of the Respondent and the evidence adduced before it that the following complaints are proved:

- (a) Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("PAO") applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 48 of HKSQC 1 as his Practice had not implemented adequate quality control policies and procedures.

(b) Section 34(1)(a)(vi) of the PAO applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 5 of HKSA 230 in that he had failed to adequately document the evidence obtained and procedures performed in relation to the audit of Client M for the year ended 31 December 2010.

(c) Section 34(1)(a)(vi) of the PAO applies to Chan in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraph 33 and/or paragraph 42 of HKSAE 3000 in that there had been a failure to obtain sufficient appropriate evidence and /or adequately document matters that were significant in providing evidence to support the compliance reports dated 26 April 2011 and 9 June 2011 of Client M and Client ME, respectively, and that those engagements were performed in accordance with HKSAE 3000.

The Disciplinary Committee ORDERS that:-

- (1) the practising certificate issued to the Respondent in 2014 be cancelled under section 35(1)(da) of the PAO and it shall take effect on the 40<sup>th</sup> day from the date of this order;
- (2) a practising certificate shall not be issued to the Respondent for the year 2015 under section 35(1)(db) of the PAO;
- (3) the Respondent pay a penalty of HK\$20,000 under section 35(1)(c) of the PAO;  
and
- (4) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$28,073 under section 35(1)(iii) of the PAO.

Dated the 21<sup>th</sup> day of November 2014