

IN THE MATTER OF

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

BETWEEN

The Registrar of the Hong Kong Institute of  
Certified Public Accountants

COMPLAINANT

AND

Lam Man Sum, Albert (membership number: F03964) 1st RESPONDENT  
Hopkins CPA Limited (corporate practice number: M186) 2<sup>nd</sup> RESPONDENT

Members:

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**REASONS FOR DECISION**

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1. This is a Complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants (“the Institute”) as Complainant against the First Respondent, a certified public accountant and the Second Respondent, a corporate practice under Section 34(1)(a)(vi) of the PAO. The Complaint was instituted as a result of an investigation under the Financial Reporting Council Ordinance (Cap. 588).
2. The complaint was set out in a letter dated 7 September 2011 (“the Complaint”) from the Registrar of the Institute to the Council of the Institute for consideration of the Complaint for referral to the Disciplinary Panels. The Complaint was that the Respondents failed or neglected to observe, maintain or otherwise apply professional standards, namely Hong Kong Standard of Auditing 230 “Audit Documentation” (“HKAS 230”) and Statement of Auditing Standards 510 “Principal Auditors and Other Auditors” as a result of their failure to document matters which were important to the audit of the financial Statements of [Company G] (the “Company”) and its subsidiaries for the year ended 31 December 2008. In particular, the Second Respondent failed

to record the following in respect of one of the Company's subsidiaries, [Company S] and its subsidiaries ("the Sub Group"):

- (1) Who performed the audit work and the date such work was completed;
  - (2) Who reviewed the audit work performed and the date and extent of such review;
  - (3) The nature and procedures that the Second Respondent performed in respect of its review of the audit working papers of [Auditor S], which audited the Sub Group;
  - (4) The extent of the audit procedures performed; and
  - (5) The results of the Second Respondent's audit procedures and the audit evidence obtained.
3. The Complaint against the First Respondent was made against him in his capacity as the engagement director responsible for the audit of the Company.
4. The Company is a listed company. The Audit Investigation Board of the Financial Reporting Council carried out an investigation on the audit of the accounts of the Company and its subsidiaries for the year ended 31 December 2008 and referred the matter to the Complainant on 11 May 2011 under section 9(f) of Cap 588.
5. The Respondents did not dispute the facts as set out in the Complaint. The parties agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with.
6. By a letter dated 2 December 2011 addressed to the Complainant and the Respondents, the Clerk to the Disciplinary Committee ("DC"), under the direction of the DC, informed the parties that they should make written submissions to the DC as to the sanctions and costs and that the DC would not hold a hearing on sanctions and costs unless otherwise requested by the parties.
7. The Complainant and Respondents tendered their submissions in their letters of 22 December 2011. The Respondents submitted that they had practised over 20 years with a clean professional record and that the breaches were inadvertent. The Second Respondent has engaged an independent monitor to review its compliance system, to advise it and to train its staff on its internal management and compliance system. The First Respondent resigned as a director of the Second Respondent on 31 August 2011.
8. In considering the proper order to be made in this case, the DC has had regard to all the aforesaid matters, including the particulars in support of the Complaint, the nature of the breaches, the conduct of the Complainant and the Respondents throughout the proceedings.

9. The DC also considered that the Complainant's costs and the Financial Reporting Council's costs, as described in the Complainant's letter of 22 December 2011, were reasonable for the work carried out in the prosecution of the Complaint.
10. The DC orders that:-
  - (1) The First and Second Respondents be reprimanded under Section 35(1)(b) of the PAO;
  - (2) The First and Second Respondents do pay a penalty in the total sum of HK\$ 35,000 under Section 35(1)(c) of the PAO. The penalty shall be shared equally by the Respondents; and
  - (3) The First and Second Respondents do pay the costs and expenses of and incidental to the proceedings of the Complainant and the Financial Reporting Council in the total sum of HK\$29,200 and HK\$51,700 under Section 35(1)(iii) and Section 35(1)(d)(ii) respectively of the PAO. The cost and expenses shall be shared equally by the Respondents.
11. Further, the DC directs that all penalties and costs and expenses of and incidental to the proceedings should be paid within 40 days from the date of this order.

Dated the 10<sup>th</sup> day of April 2012

IN THE MATTER OF

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Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (“the Institute”)

Members:

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**ORDER**

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Upon reading the complaint against the First Respondent, a certified public accountant and the Second Respondent, a corporate practice, under Section 34(1)(a)(vi) of the PAO as set out in a letter from the Registrar of the Hong Kong Institute of Certified Public Accountants (“the Complainant”) dated 7 September 2011, the written submission of the Parties dated 22 December 2011, and the relevant documents, the Disciplinary Committee is satisfied by the admission of the Respondents and the evidence adduced before it that the following complaint is proved in that the Respondents had failed or neglected to observe, maintain or otherwise apply professional standards, namely Hong Kong Standard of Auditing 230 “Audit Documentation” (“HKAS 230”) and Statement of Auditing Standards 510 “Principal Auditors and Other Auditors”.

IT IS ORDERED that:-

- (1) The First and Second Respondents be reprimanded under Section 35(1)(b) of the PAO;

- (2) The First and Second Respondents do pay a penalty in the total sum of HK\$ 35,000 under Section 35(1)(c) of the PAO. The penalty shall be shared equally by the Respondents; and
- (3) The First and Second Respondents do pay the costs and expenses of and incidental to the proceedings of the Complainant and the Financial Reporting Council in the total sum of HK\$29,200 and HK\$51,700 under Section 35(1)(iii) and Section 35(1)(d)(ii) respectively of the PAO. The costs and expenses shall be shared equally by the Respondents.

Further, the DC directs that all penalties and costs and expenses of and incidental to the proceedings should be paid within 40 days from the date of this order.

Dated the 10<sup>th</sup> day of April 2012