

IN THE MATTER OF

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

BETWEEN

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

AND

Wong Man Shan, Joyce (A42502) RESPONDENT

Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants

Members: Mr. Chan, Raymond (Chairman)
 Mr. Siu Choi Fat
 Ms. Lo Fung Yee, Daphne
 Mr. Ma Chung Fung, Horace
 Mr. Miu Liong, Nelson

ORDER AND REASONS FOR DECISION

1. This is a complaint made by the Practice Review Committee ("PRC") of the Hong Kong Institute of Certified Public Accountants (the "Institute") against Wong Man Shan, Joyce, a certified public accountant (the "Respondent").
2. By a letter dated 3 November 2021 to the Registrar of the Institute ("the Complaint"), the Practice Review Committee ("the Complainant") complained that the Respondent failed or neglected to observe, maintain or otherwise apply professional standards under section 34(1)(a)(vi) of the Professional Accountants Ordinance ("PAO"), and she was guilty of professional misconduct as a result of the

multiple deficiencies and reckless issuance of the accountant's report to the Council of The Law Society of Hong Kong ("AR") under section 34(1)(a)(viii) of the PAO.

BACKGROUND

3. The Respondent is currently a non-practising director of Tandem (HK) CPA Limited ("Practice").
4. The Practice was selected for the first time practice review which commenced in March 2019 and concluded in December 2019.
5. Client C is a firm of partnership established in Hong Kong and provides legal professional services. On 26 September 2018, the Respondent issued an AR for Client C for the year ended 31 March 2018 in accordance with the Accountant's Report Rules ("ARR") (Cap. 159A). Under the ARR, the Respondent was required to ascertain whether Client C handled its clients' money in compliance with the Solicitors' Accounts Rules (Cap. 159F) ("SAR") ("statutory compliance reporting engagement").
6. The statutory compliance reporting engagement was selected for review by the practice review team ("Reviewer"). During the practice review, the Reviewer identified significant findings which led to concerns over the Respondent's integrity and professional conduct, demonstrated by the significant deficiencies in the test procedures performed to support the unqualified opinion in the AR.
7. Having considered the Reviewer's findings and the available information, the Practice Review Committee of the Institute considered that the findings of practice review revealed serious issues about the integrity and professional conduct of the Respondent and decided to raise a complaint against the Respondent.

THE COMPLAINTS

Complaint 1

8. Section 34(1)(a)(vi) of the PAO applies to the Respondent in that she failed or neglected to observe, maintain or otherwise apply the fundamental principle of integrity under the Code of Ethics for Professional Accountants ("Code") in relation to the accountant's report issued on Client C for the year ended 31 March 2018.

Complaint 2

9. Section 34(1)(a)(viii) of the PAO applies to the Respondent in that she has been guilty of professional misconduct as a result of the multiple deficiencies and reckless issuance of the AR identified in Complaint 1.

FACTS AND CIRCUMSTANCES IN SUPPORT OF COMPLAINT 1

10. This issue is addressed in section 3.1.1 of the Reviewer's Report.

The accountant's statement contained in the AR stated:

"In compliance with section 8 of the Legal Practitioners Ordinance and the Accountant's Report Rules, I have examined the books, accounts and documents of the firm produced to me and I certify that from my examination and from the explanations and information given to me:

- (1) I am satisfied that during the accounting period the firm has complied with the provision of the Solicitors' Accounts Rules.*
- (2) I am not aware of any matter which appears to affect adversely any client account or any trust money held by the firm to a material extent."*

11. The Institute's Practice Note 840 provides guidance to accountants on the compliance reporting of solicitors' accounts under SAR and ARR. Practice Note 840 also provides two checklists in Appendix 1 (Key Questions) and Appendix 2 (Engagement Program) for the accountant to follow. The Practice adopted both the Key Questions and Engagement Program for the statutory compliance reporting engagement.

12. The Reviewer found that of the 15 required tests set out in the Engagement Program, there were significant deficiencies in respect of 12 required tests.

Four required tests had not yet been completed at the date of the AR

13. There is no evidence that the following required tests were duly completed before the AR was issued on 26 September 2018.
- (a) Test 10 requires obtaining bank certificates (i.e. bank confirmations) for client accounts. However, all the bank confirmations were sent out on 28 September 2018 and the replies were received by the Practice in October 2018.
 - (b) Test 11 requires checking of bank reconciliations during the year. The relevant working papers that documented this test procedure were dated 10 October 2018.
 - (c) Test 13 requires circularizing client ledger accounts on a test basis in accordance with Hong Kong Standard on Auditing 505 External Confirmation. All the confirmations for the selected client ledger accounts were sent out on 9 October 2018. There is no evidence in the working papers on any alternative procedures had been performed on those selected client ledger accounts.
 - (d) Test 15 requires obtaining written confirmation from the managing/designated partner of the solicitor client that the computerized accounting system complies

with Rule 10(5A) of SAR. The confirmation received from Client C was dated 9 October 2018.

14. The Practice explained in its letter dated 23 January 2020 the circumstances leading to sending out external confirmations after the date of the AR. There is no evidence in support of the alleged circumstances. Instead, such explanations confirm that Test 10, Test 13 and Test 15 were not duly completed at the date of the AR.
15. In the same letter, the Practice claimed that the working papers recording the test procedures on Test 11 were uploaded to the server in mid-September 2018 for the Respondent's review but the hard copies of the working papers were later misdated by the engagement team when wrapping up of hard copy file in October 2018. The Practice has not provided any evidence to support its assertion.

No test procedures had been performed for five required tests

16. The Engagement Program requires the engagement team to perform the following specific tests.
 - (a) Test check record of cash received and/or cashbook with bank stamped paying-in slips (Test 1a)
 - (b) Test check that receipts of client's money are correctly posted to personal accounts in client ledger and to nominal accounts (Test 2)
 - (c) Test vouch payments in cash book to bank statements (Test 3)
 - (d) Test check that payments of client's money are correctly posted to personal accounts in client ledger and to nominal accounts (Test 5)
 - (e) Ensure that monthly reconciliation statement on balances of client accounts are prepared (Test 6)
17. The engagement team documented in the Engagement Program that the above tests were recorded in working papers K1- K27. However, there was no evidence on file that test procedures had been performed to address those tests.
18. The Practice stated in its letter dated 23 January 2020 that the engagement team had observed Client C's operations and performed walk through tests to address the above tests. However, such assertions were not supported by any documentary evidence, and there was no evidence in the working paper file explaining how the asserted walk through tests could address the objective of the above tests.
19. The Practice's assertion is not believable. In the context of the AR, the relevant work could only mean the detailed procedures set out in the Key Questions and Engagement Program. Had the work mentioned in the preceding paragraph been

carried out, one would have expected to see a proper documentation of the work for the Respondent's review before her issue of the AR on 26 September 2018.

Deficiencies in three required tests

20. Test 4 requires checking of cheque payments from client account to ensure that they have been made with restricted purposes, for example, with clients' instructions, for complying with the requirements of SAR. Rule 7 of SAR requires that withdrawals from client account should be made with restricted purposes and Rule 7A sets out the authority required for drawing money from client account. The "Bank Payment and Receipt Test" documented that the engagement team had checked the selected transactions "with supporting documents and approval". However, there is no evidence on file that the cheque payments were checked to ensure compliance with Rules 7 and 7A of SAR, in particular, the payments were (i) made with restricted purposes; and (ii) approved by persons of Client C with proper authority.
21. Certain tests in the Engagement Program require test procedures to be performed on not less than two dates. For Test 9, the engagement team only performed test procedure of scrutinizing client ledger accounts on the client ledger balance as at 31 March 2018. For Test 11, the test procedures on the bank reconciliations of the client bank accounts maintained with two banks for 31 December 2017 were incomplete. The Practice admitted that they had not performed sufficient compliance work.
22. The abovementioned multiple deficiencies revealed that the Respondent, being the engagement director of the statutory compliance reporting engagement, had not carried out a proper file review to ensure sufficient and appropriate evidence had been obtained and documented to support the unqualified opinion in the AR.
23. The fundamental principle of integrity under sections 100.5(a), 110.1 and 110.2 of the Code requires a professional accountant to be straightforward and honest, and not knowingly be associated with information which contains false or misleading statements; or information furnished recklessly.
24. The accountant's statement in the AR for the purpose of the statutory compliance reporting engagement, which was excerpted in paragraph 10 above, means or would reasonably represent to the Council of The Law Society of Hong Kong that all of the necessary procedures had been carried out by the Respondent to support her opinion in the AR and therefore Client C had complied with the SAR. However, out of the 15 required tests in the Engagement Program, 12 of them were not properly completed or performed before the issuance of the AR on 26 September 2018. In the premises, the accountant's statement is false or misleading and the Respondent had knowingly submitted false or misleading statement, or furnished the statement recklessly.

25. Therefore, the Respondent failed to comply with the fundamental principle of integrity under the Code, which is a professional standard referred to in the PAO. As such, section 34(1)(a)(vi) applies to the Respondent.

FACTS AND CIRCUMSTANCES IN SUPPORT OF COMPLAINT 2

26. The Respondent recklessly issued the AR when only little compliance work had been done. The multiple deficiencies identified in the test procedures performed in support of the AR demonstrate a blatant disregard by the Respondent to the requirements of the statutory compliance reporting engagement.
27. The above findings point to behavior that falls clearly below the standard expected of a certified public accountant, and amounts to professional misconduct. Therefore, section 34(1)(a)(viii) of the PAO applies to the Respondent.

THE PROCEEDINGS

28. On 2 December 2021, the Respondent confirmed her admission of the complaints and she did not dispute the facts as set out in the Complaint. The parties jointly proposed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules (“the Rules”) be dispensed with.
29. In view of the Respondent’s admission, the Disciplinary Committee acceded to the parties’ joint application to dispense with the steps set out in paragraphs 17 to 30 of the Rules and directed the parties to make written submissions and costs.
30. On 24 February 2022 and 25 February 2022, the Respondent and the Complainant made their submissions on sanctions and costs respectively.

THE PARTIES’S SUBMISSIONS ON SANCTIONS AND COSTS

31. Both the Complainant and the Respondent have made their respective submissions on sanctions and costs.
32. In the Complainant’s submissions dated 25 February 2022, the Complainant submitted that the totality of the two complaints is the top of “serious” to the lower end of “very serious”.
33. The Complainant has referred to two cases, including Proceedings No. D-16-1155O and Proceedings No. D-16-1157O. Both cases concerned the failure to render adequate professional competence and due care in the preparation of accountant’s report to be submitted to the Council of The Law Society of Hong Kong.

34. In view of the severe nature of the case, the Complainant therefore suggested that the appropriate sanction should include a public reprimand, a financial penalty in the range of HK\$100,000 to HK\$150,000, and a cancellation of practising certificate for a period of not more than one year.
35. The Complainant has provided a Statement of Costs on 25 February 2022 in the amount of \$56,786.
36. The Respondent, on the other hand, invited this Committee to consider three relevant cases, namely Proceedings No. D-19-1529P, Proceedings No. D-20-1583P and Proceedings No. D-18-1420P.
37. The Respondent submitted that she had cancelled her practising certificate from 1 July 2021 and did not renew it.
38. The Respondent was remorseful and was willing to be reprimanded, pay a penalty of HK\$50,000 and bear the cost incurred by the investigation and proceedings.

CONSIDERATIONS:

39. The Committee noted that it had a wide discretion on the sanctions it might impose. Each case is fact sensitive and the Committee is not bound by the decision of a previous committee.
40. In considering the proper order, the Committee took into consideration of relevant facts of the Complaints, the submission of both parties, the Respondent's personal circumstances, and her conduct throughout the proceedings.
41. The Committee took note of the fact that the proceedings was concluded on the basis of the admission by the Respondent which resulted in saving time and costs; and the Respondent had a clear record prior to the Complaint.
42. However, the Committee agreed with the Complainant that the problems in the Complaints were serious and thus warranted a deterrent penalty.
43. It is considered that a reprimand, a financial penalty and non-issuing of practicing certificates for a duration will be a proper sanction to signify the Committee's disapproval of the conduct.
44. As for costs, the Committee took note that the Respondent was willing to pay the costs incurred by the investigation and the proceedings and considers that the sum of HK\$56,786 provided by the Complainant on a Statement of Costs dated 25 February 2022 to be reasonable.

SANCTIONS AND COSTS ORDER

45. The Committee orders that:

- (a) The Respondent be reprimanded under section 35(1)(b) of the PAO;
- (b) The Respondent do pay a penalty of HK\$100,000 pursuant to section 35(1)(c) of the PAO;
- (c) A practicing certificate shall not be issued to the Respondent for 12 months with effect from 42 days from the date hereof under section 35(1)(db) of the PAO;
- (d) The Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant (including the costs of this Committee) in total sum of HK\$56,786 under section 35(1)(iii) of the PAO.

Dated: 23rd day of May 2022

Mr. Chan, Raymond
Chairman

Mr. Siu Choi Fat
Member

Mr. Ma Chung Fung, Horace
Member

Ms. Lo Fung Yee, Daphne
Member

Mr. Miu Liong, Nelson
Member