



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

(HONG KONG, 20 January 2022) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Law Fei Shing, certified public accountant (practising) (A15863) on 3 December 2021 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the cancellation of Mr. Law's practising certificate, with no issuance of a practising certificate to him for 15 months, with effect from 14 January 2022. In addition, the Committee ordered Mr. Law to pay a penalty of HK\$160,000 and costs of the disciplinary proceedings of HK\$4,943,123.

Mr. Law is the sole proprietor of F.S. Law & Co. The firm audited the financial statements of a private company for the two years ended 31 March 2010 and 2011.

Deficiencies were found in the audits and in how Mr. Law conducted his professional relationship with the company. Mr. Law failed to:

- (i) obtain sufficient evidence to justify his concurrence with the company's adoption of the exemptions under section 141D of the then Companies Ordinance and the financial reporting standard for small and medium-sized entities as a basis of financial statement preparation, when the company's holding of a subsidiary at the time would have disqualified it from the exemptions;
- (ii) qualify his auditor's opinion for a limitation of audit scope over provision for impairment loss on an investment;
- (iii) obtain sufficient appropriate evidence to support his acceptance of the company's breach of statutory disclosure requirements applicable to a charge over the company's assets that was made to secure banking facilities granted to a director-controlled entity;
- (iv) segregate funds transferred to him by a shareholder (who was also a director) of the company, and make adequate enquiries to ensure the transfer complied with relevant laws and regulations; and
- (v) maintain professional knowledge and skill at the level required to ensure the company received competent professional service.

After considering the information available, the Institute lodged the complaints against Mr. Law under section 34(1)(a) of the Professional Accountants Ordinance.

In the course of the disciplinary proceedings, Mr. Law applied for judicial review twice. The proceedings were held over for some five years until the judicial reviews were completed and dismissed by the court.

The Disciplinary Committee found that Mr. Law was in breach of Hong Kong Standard on Auditing ("HKSA") 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*, HKSA 701 *Modifications to the Independent Auditor's Report*, section 270 *Custody of Client Assets* of the Code of Ethics for Professional Accountants ("Code of Ethics") and the fundamental principle of professional competence and due care in section 100 of the Code of Ethics.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Mr. Law under section 35(1) of the Ordinance, which included an enhanced order requiring him to bear the Institute's cost in full due to his conduct and resulting delays. The Committee noted Mr. Law's breaches were very serious in that they demonstrated a serious lack of understanding of auditing and ethical standards, and the fundamental and basic legal requirements relating to preparation and presentation of financial statements under the Companies Ordinance. The breaches were aggravated by Mr. Law's limited remorse and lack of candour, as seen in his changing and evolving defences in the course of the disciplinary proceedings, and by his obstructive conduct that resulted in significant delays to the proceedings, substantial wasted costs and the Institute's need to instruct external counsel to act for it.

About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accountants ("HKICPA") enforces the highest professional and ethical standards in the accounting profession. Governed by the Professional Accountants Ordinance (Cap. 50) and the Disciplinary Committee Proceedings Rules, an independent Disciplinary Committee is convened to deal with a complaint referred by Council. If the charges against a member, member practice or registered student are proven, the Committee will make disciplinary orders setting out the sanctions it considers appropriate. Subject to any appeal by the respondent, the order and findings of the Disciplinary Committee will be published.

For more information, please see:

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

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About HKICPA

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has over 47,000 members and 17,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

Hong Kong Institute of CPAs' contact information:

Jun Sat
Associate Public Relations Manager
Phone: 2287-7002
Email: junsat@hkicpa.org.hk