

IN THE MATTER OF complaints made
under section 34(l)(a) of the Professional
Accountants Ordinance (Cap. 50)

BETWEEN

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

Complainant

and

Respondent

Reasons and Order

1. The Disciplinary Committee has found all three Complaints proved against the Respondent. Essentially, her misconduct lied in committing forgeries of the signatures of her employer, [CPA firm A], on the Auditor's Reports and those of the directors of the client companies on the Financial Statements.
2. The Disciplinary Committee has given careful consideration to the submissions in mitigation made by the Respondent through her solicitors. The points made by the Respondent do not afford forceful mitigation for her. It has been said that she suffered from ill health but it was noted from the medical certificates that the illness only occurred after the incident. It has also been said that she was very busy with work at the material times, but the Disciplinary Committee took the view that this could hardly justify acts of forgeries. The Respondent should have sought legitimate ways to resolve problems of heavy workload.
3. The nature of the Respondent's misconduct is quite serious, involving forgeries of signatures and acts of dishonesty which are totally unacceptable for a professional such as an auditor.

4. On the other hand, the Disciplinary Committee did note that there is no evidence before the Disciplinary Committee that the content of the subject accounts was inaccurate, nor that the Respondent did in any way benefit from the misconduct. The Disciplinary Committee further noted that the Respondent has admitted her misdeeds and was cooperative with the Institute in its investigation, thus saving much costs and time.

ORDER

5. In the circumstances, the Disciplinary Committee makes the following order against the Respondent:
 - a. That the Respondent shall not be issued with a practicing certificate for 2 years from the date hereof.
 - b. That the Respondent bears the costs of the solicitors for the Complainant in the allowed sum of HK\$82,000.00 and the costs of the Clerk in the allowed sum of HK\$98,000.00.
 - c. The allowed costs in the total sum of HK\$180,000 is to be paid by the Respondent by three monthly installments of HK\$60,000 each , on or before respectively, 1st November 2008, 1st December 2008 and 1st January 2009.

Dated the 16th day of October 2008.

IN THE MATTER OF complaints made
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BETWEEN

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Public Accountants

Complainant

and

Respondent

Statement of Findings

1. These proceedings originated from the formal submission dated 9th July 2007 by the Registrar of the Hong Kong Institute of Certified Public Accountants to the Council of the same body under section 34(1A) of the Professional Accountants Ordinance ("the Ordinance").
2. The Respondent is a certified public accountant. During 1st August 1989 to 24th October 2006, she was employed with [CPA firm A].
3. Three Complaints are made against the Respondent on the same set of allegations that she has falsified or caused to be falsified documents by forging (a) on audit reports of two client companies, the signatures of [CPA firm A] and (b) on the balance sheets of those companies, the signatures of the directors of those companies. The 1st Complaint charges her under section 34(1)(a)(iii)(A) of the Ordinance for falsifying documents. The 2nd Complaint charges her under section 34(1)(a)(viii) of the Ordinance for being guilty of professional misconduct. The 3rd Complaint charges her under section 34(1)(a)(x) of the Ordinance for being

guilty of dishonourable conduct.

4. The Respondent has indicated admission to all the matters set out in the Complainant's Case and has not made any submission as to why any of the allegations raised by the Complainant are not substantiated or wrong.
5. The parties have not required an oral hearing before the Committee.
6. The Complainant's Case states that while under the employment of [CPA firm A], the Respondent, a certified public accountant, was assigned to be the senior manager to the audit of the accounts of two subsidiaries of a Japanese company group ("client companies") for the two years ended on respectively 31st December 2004 and 31st December 2005.
7. In or around May 2005, the Respondent sent to the two client companies what purported to be their Report and Financial Statements for the year ended 31st December 2004. At page 3 of each of those two sets of documents was the Auditor's Report by [CPA firm A]. The Respondent forged the signatures of [CPA firm A] on those Auditor's Reports. Further, at the time, certain audit procedures had not been completed and partner's review and some other quality control procedures had not been done on the files or financial statements concerned. She only arranged for compliance with those procedures after the Report and Financial Statements were produced to the two client companies.
8. In August 2005, the Respondent produced to [CPA firm A's] engagement partner the Financial Statement of the two client companies for the year ended 31st December 2004. In so doing, she forged the signatures of the directors of the client companies on the Financial Statements. At the Respondent's request and believing that the Financial Statements were duly signed by the client companies, the engagement partner signed on the Auditor's Reports attached to the Financial Statements. The Respondent told the engagement partner that the Financial Statements had to be filed urgently. However, the two sets of documents were not submitted to the Inland Revenue Department or issued to the client companies.
9. The Respondent took similar actions with the Report and Financial Statements for the same two client companies for the year ended 31st December 2005. In or around March 2006, the Respondent sent to the two client companies what purported to be their Report and Financial Statements for the year ended 31st

December 2005. At page 3 of each of those two sets of documents was the Auditor's Report by [CPA firm A]. The Respondent forged the signatures of [CPA firm A] on those Auditor's Reports. Again, certain audit procedures and quality control procedures had yet to be done.

10. In August 2006, the Respondent produced to [CPA firm A's] engagement partner the Financial Statement of the two client companies for the year ended 31st December 2005. In so doing, she forged the signatures of the directors of the client companies on the Financial Statements. At the Respondent's request and believing that the Financial Statements were duly signed by the client companies, the engagement partner signed on the Auditor's Reports attached to the Financial Statements. The Respondent told the engagement partner that the Financial Statements had to be filed urgently. However, the two sets of documents were not submitted to the Inland Revenue Department or issued to the client companies.
11. In later inquiry by the engagement partner, the Respondent admitted to having committed the forgeries mentioned above. [CPA firm A] dismissed her summarily on 25th October 2006.
12. It is not in dispute that the Respondent committed the forgeries of the signatures of [CPA firm A] on the Auditor's Reports and the directors of the client companies on the Financial Statements. With the forged signatures of [CPA firm A], the draft Auditor's Reports respectively for the year ended 31st December 2004 and 31st December 2005 were presented as signed Auditor's Reports issued by [CPA firm A]. Similarly, with the forged signatures of the directors of the client companies, the draft Financial Statements of the two client companies for the year ended 31st December 2005 were presented as signed Financial Statements issued by the two client companies. The Committee therefore finds the Complaint proved. Committed on Auditor's Reports and Financial Statement of client companies, the forgeries clearly constituted grave professional misconduct and dishonourable misconduct on the part of the Respondent as a certified public accountant. The Committee therefore finds the 2nd and 3rd Complaints also proved against the Respondent.
13. Having found all three Complaints proved against the Respondent, the Committee invites the parties to make submissions in writing within the next 14 days as to the grounds and terms of the order to be made under section 35 of the Ordinance. The Committee will make the order following the parties' written submissions. Unless

otherwise requested by any party, the Committee does not intend to hold a hearing before making the order.

Dated the 20th day of May 2008.

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REASONS AND ORDER

Dated the 16th day of October 2008.