



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

(HONG KONG, 13 May 2021) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Yu Kung Shing, a certified public accountant (practising) (F04854) and K. S. Yu & Co. (1668) ("Firm") on 31 March 2021 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. In addition, the Committee ordered the respondents to pay a penalty of HK\$50,000 and costs of disciplinary proceedings of HK\$72,892.50.

Yu is the sole proprietor of the Firm that was the auditor of a private company limited by guarantee. Yu issued unmodified audit opinion on the financial statements of the company for each of the **four financial years ended 31 December 2013 to 2016. In carrying out the audits, the respondents failed to design and perform audit procedures to obtain sufficient appropriate evidence and prepare sufficient audit documentation to support their assessment of the existence and recoverability of the amounts due from executive committee members of the company. Furthermore, the respondents failed to prepare sufficient audit documentation to support their audit conclusions on salary expenses.**

After considering the information available, the Institute lodged a complaint against the respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

The respondents admitted the complaint against them. The Disciplinary Committee found that the respondents failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing ("HKSA") 500 *Audit Evidence* and HKSA 230 *Audit Documentation*.

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

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 46,000 members and 18,000 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.

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香港會計師公會對一名執業會計師及一間會計師事務所作出紀律處分

(香港，二零二一年五月十三日) 香港會計師公會轄下紀律委員會，於二零二一年三月三十一日就執業會計師俞功成（會員編號：F04854）及俞功成會計師樓（事務所編號：1668）沒有或忽略遵守、維持或以其他方式應用公會頒佈的專業準則，對他們予以譴責。此外，紀律委員會命令答辯人須繳付罰款 50,000 港元及紀律程序費用 72,892.50 港元。

俞先生是俞功成會計師樓的獨資經營者，該會計師事務所是一間私人擔保有限公司的核數師。俞先生就該公司截至二零一三年至二零一六年十二月三十一日止四個財政年度的財務報表，均發表了無保留的核數師意見。在審計過程中，答辯人沒有制定和執行審計程序取得充足適當的憑證及編備完備的審核記錄，以估評應收執行委員會成員款項的存在性和其可回收性。此外，答辯人沒有就薪金支出的審計結論編備完備的審核記錄。

公會考慮所得資料後，按《專業會計師條例》第 34(1)(a)(vi)條對答辯人作出投訴。

答辯人承認投訴中的指控屬實。紀律委員會裁定答辯人沒有或忽略遵守、維持或以其他方式應用 Hong Kong Standard on Auditing（「HKSA」）500「Audit Evidence」及 HKSA 230「Audit Documentation」。

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)條向答辯人作出上述命令。

香港會計師公會的紀律處分程序

香港會計師公會致力維持會計界的最高專業和道德標準。公會根據香港法例第 50 章《專業會計師條例》及紀律委員會訴訟程序規則，成立獨立的紀律委員會，處理理事會轉介的投訴個案。委員會一旦證明對公會會員、執業會計師事務所會員或註冊學生的檢控屬實，將會作出適當懲處。若答辯人未有提出上訴，紀律委員會的裁判將會向外公佈。

詳情請參閱：

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

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關於香港會計師公會

香港會計師公會是根據《專業會計師條例》成立的法定機構，負責培訓、發展和監管本港的會計專業。公會會員逾 46,000 名，學生人數逾 18,000。

公會開辦專業資格課程，確保會計師的人職質素，同時頒佈財務報告、審計及專業操守的準則，以鞏固香港作為國際金融中心的領導地位。

CPA 會計師是一個獲國際認可的頂尖專業資格。公會是全球會計聯盟及國際會計師聯合會的成員之一，積極推動國際專業發展。

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Financial Reporting Framework and Financial Reporting Standard for the year ended 31 December 2016.

4. The 1st Respondent is the sole proprietor of the 2nd Respondent. The Firm was the auditor of the Company and issued unmodified audit opinion on the financial statements of the Company for each of the four financial years ended 31 December 2013 to 2016.
5. In November 2018, the incumbent chairman of the Company (“**Informant**”) lodged a complaint against the Respondents and questioned if they had performed the audits properly. The Informant asserted that the amounts due from two executive committee members of the Company as stated in the audited financial statements were denied by those two members, and there were also alleged improprieties relating to salary expenses.
6. The Institute made enquiry of the Respondents. By their letters dated 20 February and 5 August 2019, the Respondents provided copies of the audit and other relevant documentation in respect of the audits of the 2013 to 2016 financial statements.
7. A review of the audit working papers indicated that the Respondents had failed to comply with professional standards issued by the Institute.

THE COMPLAINT

8. Section 34(1)(a)(vi) of the Processional Accountants Ordinance (“**PAO**”) applies to the Respondents in that they have failed or neglected to observe, maintain or otherwise apply professional standards in their audits of the financial statements of the Company for each of the years ended 31 December 2013 to 2016.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE COMPLAINT

Deficient audit work done on the current accounts in respect of changes in the amounts due from executive committee members to the Company

9. The table below summarises the amounts due from/(to) executive committee members:

HK\$	2016	2015	2014	2013	2012
Amounts due from / (to):					
Choi Wing Cheong (“Choi”)	221,383	227,383	227,383	215,159	-
Li Yik Ki (“Li”)	226,313	226,313	226,313	211,563	-
Lai Biu Kwai (“Lai”)	227,313	227,313	227,313	228,313	-
Cheng Joi Kuen Kenny (“Cheng”)	(143,396)	(35,314)	-	-	696,939

(extracted from working papers “Amount due from members” in 2013 and 2014; and “Amount due from / (to) members” in 2015 and 2016 provided by the Respondents)

10. The abovementioned working papers “Amount due from members” in 2013 and 2014 and “Amount due from / (to) members” in 2015 and 2016 documented the following notes:

(1) “*All the movement was cash (sic)*” (for 2013 and 2014 audits);

- (2) “...no subsequent settlement can be checked.” (for 2013 to 2016 audits); and
- (3) telephone discussion with Cheng regarding the recoverability of the amounts due from members:
 - “...Mr. Cheng said the amount will be recovered in the future. No need to worry about the recoverability problem so we do not qualify recoverability.” (2013 and 2014 audits)
 - “...He [Mr. Cheng] said he will solve the problem in the next year. I told him the amount was long outstanding. I told him we will qualify the opinion in the next year if no recover of long outstanding amount so we do not qualify recoverability in current year.” (2015 audit)
 - “...He [Mr. Cheng] said he need more time to solve the long outstanding C/A [current account] problem and promise me the problem can be solved in next year.” (2016 audit)

11. Notwithstanding that:

- (1) as of 31 December 2013, the amount due from Cheng to the Company of HK\$696,939 as of 31 December 2012 had been decreased to zero; and;
- (2) as of 31 December 2013, the total amount due from three other members (i.e., Choi, Li, and Lai) had been increased from zero to HK\$655,035,

the Respondents had not documented any explanation for the changes in the amounts due from/(to) members in the year of 2013 (“**Changes in Amounts Due from Members**”).

12. Regarding the Changes in Amounts Due from Members, the Respondents’ explained in their letter dated 20 February 2019 that, in 2013, there had been a transfer of the opening balance of the amount of HK\$696,939 due from Cheng to three other executive committee members, namely Choi, Li and Lai (“**Transfer**”). The Transfer had purportedly been requested by Cheng in August 2015, supported by an email from Cheng’s personal assistant and the minutes of the Company’s Executive Committee Members’ meeting held on 13 August 2015.
13. **However, in the Respondents’ letter dated 5 August 2019, they provided a different explanation for the Changes in Amounts Due from Members. The Respondents explained that the amount of HK\$696,939 due from Cheng had been the Company’s “left over trust fund” when Cheng had become the Chairman of the Company in 2008. Presumably, the Respondents meant that the said amount of HK\$696,939 had been transferred from the Company to Cheng to be held on trust by Cheng for the Company. As Cheng personally had subsequently paid salaries to gardeners of approximately HK\$132,000 per year for and on behalf of the Company, the fund of HK\$696,939 held in trust by Cheng for the Company had been fully set-off by the year end of 2012.**
14. On 8 September 2019, the Respondents had again retracted the explanation for the Changes in the Amounts Due from Members being the setting off of trust funds held

by Cheng for the Company by salary payments. The Respondents represented that they had not known that Cheng had made such salary payments until the 2017 audit. The Respondent had then purportedly requested the Company to provide evidence on the Transfer but had been dissatisfied that the quality of the evidence provided had been “not good enough”. In these proceedings, the Respondents have neither provided any evidence that they had purportedly obtained, nor have elaborated why such evidence had been “not good enough”. There had been no contemporaneous documentation in the audit papers in support of the Respondents’ aforesaid representations.

15. It was apparent from the Respondents’ representations, summarised in the preceding three paragraphs, that mutually inconsistent explanations had been provided in respect of the same issue on the Changes in Amounts Due from Members. If the “trust fund” of HK\$696,939 had been fully set off by salaries paid by Cheng personally to the gardeners for and on behalf of the Company, the amount due by Cheng to the Company would have become zero and no Transfer to the other executive committee members could possibly have happened in the year 2013. Conversely, if the Transfer had taken place, it could not have been the case that the “trust fund” had been fully set off. The Respondents’ mutually inconsistent explanations reflected that, during the audits, they had failed properly to evaluate the Changes in the Amounts Due from Members and had failed to obtain any relevant explanations from Cheng in the year 2013.
16. Both documents purportedly relied on by the Respondents (i.e., the email from the personal assistant of Cheng and the minutes of the meeting of the Company’s Executive Committee Members as mentioned in paragraph 12 *infra*) had not stated any rationale for the purported Transfer. Moreover, the email from the Company could not be considered as independent evidence of the relevant balances.
17. **The Respondents had failed to obtain direct confirmations from Li and Lai regarding the Changes in Amounts Due from Members.** The audit confirmations sent out and received by the Respondents for the audits from 2013 to 2016 are summarised below:

	2016	2015	2014	2013
Audit confirmations received:				
Choi	Yes	No	Yes	Yes
Li*	No	No	No	No
Lai*	No	No	No	No
Cheng	Yes	No	No	No

(*except documented in the 2015 working paper “Amount due from / (to) members” that confirmations were sent to the members, there was no record of sending any audit confirmations to Li or Lai for the 2013, 2014 and 2016 audits.)

Furthermore, the Respondents had not performed any alternative procedures for ascertaining the Changes in Amounts Due from Members. This was apparent from the contemporaneous audit working papers, which had no record of any indication as to why such procedures had not been necessary.

18. Regarding the assessment of the recoverability of the amounts due from executive committee members, the Respondents had only obtained oral representations from Cheng that there had been no recoverability problem (paragraph 10 above) without

endeavouring to obtain any further evidence to corroborate with Cheng's oral representations. By the time of the 2015 and 2016 audits, the amounts due from both Li and Lai had been long outstanding, of which the Respondents had been fully aware. However, the Respondents had still accepted Cheng's verbal representations at face value without modifying their audit opinion.

19. Furthermore, the Respondents had failed to document:
- (1) their understanding and assessment of the reason for the Transfer;
 - (2) the reason why audit confirmation had not been necessary for Li and Lai; and
 - (3) the reason why further audit procedure had not been necessary to corroborate Cheng's oral representation that there had been no recoverability problem.
20. Based on the above, when the Respondents were auditing the the company's financial statements from 2013 to 2016, regarding the Changes in Amounts Due from Members, they failed:
- (1) to design and perform audit procedures to obtain sufficient appropriate audit evidence, contrary to paragraphs 6 to 9 of Hong Kong Standard on Auditing ("HKSA") 500 *Audit Evidence*; and
 - (2) to prepare sufficient audit documentation to support the audit conclusions reached thereon, contrary to paragraph 8 of HKSA 230 *Audit Documentation*.

Insufficient documentation of audit work on salary expenses

21. The salary expenses disclosed in the audited financial statements of the Company are summarized below:

Financial Year	2016	2015	2014	2013	2012
Gardeners' salaries	132,000	132,000	-	-	132,000

The expenses (or omission of them) are obviously material to the audited financial statements.

22. The Respondents confirmed that they had not prepared any working papers for the gardeners' salaries for the financial years 2013 and 2014 because the expenses had not existed in 2013 and 2014.
23. In response to the Institute's enquiries on why there had been no salary expenses in the audited 2013 and 2014 financial statements, the Respondents provided two emails from Cheng's assistant summarised as below:
- (1) On 5 August 2015, Cheng's assistant requested the Respondents to include gardener's expenses of HK\$84,000 and bonsai maintenance expenses of HK\$96,000 for each of the 2013 and 2014 financial years.

- (2) Subsequently, on 6 August 2015, Cheng's assistant confirmed that she had checked with Cheng that there had been no need to include the said expenses in the accounts.
24. The Respondents further explained that, during the 2013 audit, they had enquired the Company's management for the reasons for not providing salary expenses. The management explained that no salary payments had been made. The Respondents represented that they had checked that there had been no bank record of the payments and explained that they had not questioned whether or not this was reasonable because the gardeners' work could possibly have been done by other people without the Company having to pay any salary. However, none of the above explanations had been documented in the audit working papers. The Respondents have admitted that their audit documentation relating to the audit of the salary expenses had not been adequate.
25. There was no evidence in their working papers showing that the Respondents had discussed with management and analysed the reasons why provision for salary expenses had not been necessary. Given that understatement of expenses is a common audit risk area, and that there had previously been provision for salary expenses in 2012, the Respondents should have critically assessed information gathered from their audits and prepared adequate audit documentation explaining why they had concurred with the Company's management that provision for salary expenses had not been necessary.
26. Based on the above, when the Respondents audited the gardeners' salary expenses in 2013 and 2014, they had failed to prepare sufficient audit documentation to support the audit conclusions, contrary to paragraph 8 of HKSA 230 *Audit Documentation*.

THE PROCEEDINGS

27. By the letters signed by the parties dated 6 May 2020, the Respondents have admitted the Complaint against them, and the parties have requested that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules ("DCPR") be dispensed with.
28. The Disciplinary Committee agreed with the parties' request to dispense with the steps set out in Rules 17 to 30 of the DCPR in light of the admission made by the Respondents and directed the parties to make written submissions on sanctions and costs.
29. The Respondents and the Complainant made submissions on sanctions and costs by letters dated 25 July 2020 and 4 August 2020 respectively.
30. 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 Respondents' personal circumstances, and the conduct of the Complainant and the Respondents throughout the proceedings.

CONSIDERATIONS

31. In the light of the aforementioned facts, we consider that the breaches by the Respondents of the relevant auditing standards would fall within the "serious" category in considering the penalties to be imposed. For breaches that fall within the

“serious” category, the usual penalties are a reprimand and a pecuniary penalty within the range of HK\$50,000 and HK\$100,000.

32. We have taken into account the Respondents' early admissions of the Complaints, which have resulted in savings in time and costs in not having to hold a full evidential hearing.
33. We have taken into account the Respondents' pleas of mitigation.
34. We have also taken into account that these proceedings are concurrent with a related set of disciplinary proceedings (i.e. D-19-1500P), in which the 1st Respondents herein is also the respondent in those proceedings.
35. Having considered the abovementioned factors, the Disciplinary Committee is minded to reprimand and impose the lowest pecuniary penalty in the range on the Respondents.

SANCTIONS AND COSTS

36. The Disciplinary Committee ORDERS that:-
 - (1) the Respondents be reprimanded under section 35(1)(b) of the PAO;
 - (2) the Respondents do pay jointly and severally a penalty of HK\$50,000 under section 35(1)(c) of PAO; and
 - (3) the Respondents do pay jointly and severally the costs and expenses of and incidental to the proceedings of the Complainant, including the costs of the Disciplinary Committee, in the sum of HK\$72,892.50 under section 35(1)(iii) of the PAO.

Dated: 31st March 2021

Mr. Chin, Vincent
Chairman
Disciplinary Panel A

Ms. Cheung Chiu Nam,
Cerman
Member
Disciplinary Panel A

Mr. Lee Ka Leung, Daniel
Member
Disciplinary Panel B

Miss Tam Wing See
Member
Disciplinary Panel A

Miss Tang Kwan Lai
Member
Disciplinary Panel B