

IN THE MATTER OF

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

Between

THE REGISTRAR OF THE HONG
KONG INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Complainant

and

CHAN WAI DUNE CHARLES
TEH DELORES ENG-HUA
YAU HOK HUNG
CCIF CPA LIMITED

1st Respondent

2nd Respondent

3rd Respondent

4th Respondent

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

Members: Mr. Lam Ken Chung, Simon (Chairman)
Mr. Wong Wing Yan Kenneth
Mr. Lam Chi Ki
Mr. Grant Jamieson
Ms. Li Yin Fan Fanny

Dates of Hearing: 1 and 3 September 2021

Date of Decision: 31 December 2021

Dates of the Complainant's

Written Submissions on

Sanctions & Costs: 21 January 2022 and 7 March 2022

Date of the Respondents'

Written Submission on
Sanctions & Costs: 11 February 2022
Date of Decision &
Order on Sanctions & Costs: 25 March 2022

**DECISION AND ORDER ON
SANCTIONS AND COSTS**

INTRODUCTION

By a Decision dated 31 December 2021 (“**the Decision**”), this Disciplinary Committee (“**the Committee**”) found the following complaints proved to its satisfaction (adopting the same abbreviations as used in the Decision):

- (a) In relation to the 2005 Audit:
- (i) First Complaint: The *1st and 4th Respondents* failed or neglected to observe, maintain or otherwise apply professional standards in carrying out the audit planning and risk assessment;
 - (ii) Second Complaint: The *1st and 4th Respondents* failed or neglected to observe, maintain or otherwise apply professional standards in auditing the Group’s turnover and accounts receivable;
- (b) In relation to the 2006 Audit:
- Third Complaint: The *2nd and 4th Respondents* failed or neglected to observe, maintain or otherwise apply professional standards in auditing the Group’s turnover and accounts receivable; and
- (c) In relation to the 2007 Audit:

- (i) Fourth Complaint: The *3rd and 4th Respondents* failed or neglected to observe, maintain or otherwise apply professional standards in auditing the Group's turnover and accounts receivable; and
- (ii) Fifth Complaint: The *3rd and 4th Respondents* failed or neglected to observe, maintain or otherwise apply a professional standard in auditing the Group's transactions with a significant customer.

2. The parties were directed to lodge written submissions on the questions of sanctions, costs, fees and other consequential matters (if any), which directions were duly complied with.

3. This is the Committee's decision and order on sanctions and costs.

SANCTIONS

4. The Committee takes the view that the complaints that were found proved against the Respondents involved significant audit deficiencies and lack of professional skepticism in the course of conducting revenue audits. Due to the significant volume of transactions involved with the questionable customer, and their recurrent nature over a number of years, the Committee considers that the relevant audit deficiencies fall within the "serious" category.

5. The Committee therefore orders that:

- (a) All Respondents herein be reprimanded under section 35(1)(b) of the Professional Accountants Ordinance Cap. 50 ("the PAO");
- (b) The 1st Respondent do pay a penalty of HK\$200,000.00 under section 35(1)(c) of the PAO;

- (c) The 2nd and 3rd Respondents do pay a penalty of HK\$150,000.00 each, under section 35(1)(c) of the PAO; and
- (d) The 4th Respondent do pay a penalty of HK\$300,000.00 under section 35(1)(c) of the PAO.

COSTS

6. In relation to costs and expenses, the Complainant has submitted to the Committee a Statement of Costs (“the SOC”) (attached as Appendix I), which includes a Statement of Costs from the Financial Reporting Council (FRC) (“the FRC-SOC”) (attached as Appendix II).

7. The Committee considers items B, D, E, F and G of the SOC to be fair and reasonable, and cannot see how these costs and expenses could be alleged to be unnecessary, extravagant or unreasonable. They are allowed in full.

8. In relation to the FRC-SOC, it is undisputed that part of the FRC report (though not very substantial) was not related to these disciplinary proceedings. Taking a broad-brush approach, the Committee considers it reasonable to reduce the amount claimed in the FRC-SOC (i.e., item C of SOC) by 20%. The said item is therefore reduced to \$175,189.20 (\$218,986.50 x 80%), which this Committee rounds down to HK\$175,189.

9. The Respondents are therefore ordered jointly and severally to pay the costs and expenses of and incidental to the proceedings of in the sum of HK\$493,881.00 under Section 35(1)(iii) of the PAO, calculated as follows:

Item B	\$237,590 (\$47,750 + \$189,840)
Item C	\$175,189
Item D	\$38,500
Item E	\$13,200
Item F	\$18,340
Item G	\$11,062
Total:	<hr/> \$493,881

10. The order contained herein shall take effect on the 42nd day from the date of this Decision and Order on Sanctions and Costs.

Mr. Lam Ken Chung
Simon
Chairman
Disciplinary Panel A

Mr. Lam Chi Ki
Member
Disciplinary Panel A

Mr. Grant Jamieson
Member
Disciplinary Panel B

Mr. Wong Wing Yan
Kenneth
Member
Disciplinary Panel A

Ms. Li Yin Fan Fanny
Member
Disciplinary Panel B