



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

(HONG KONG, 28 August 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Miss Ying Tze Yeuk (F01909) and T.Y. Ying & Co. (0685) (collectively "Respondents") on 17 July 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the Respondents to pay a penalty of HK\$70,000 and disciplinary proceedings expenses of the Institute of HK\$49,746.

Ying is the sole proprietor of T.Y. Ying & Co. which expressed unmodified auditor's opinions on the financial statements of a private company for each of the six years ended 31 December 2010 to 2015.

There was non-compliance with accounting standards in the area of property, plant and equipment included in the 2010 to 2015 financial statements, and in the area of income tax included in the 2014 and 2015 financial statements. Further, there were **numerous casting errors, incorrect and missing cross-references, incomplete disclosures and inconsistencies in the financial statements, auditor's reports** and other information attached.

After considering the information available, the Institute lodged a complaint under section 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap 50).

The Disciplinary Committee found that the Respondents were in breach of the fundamental principle of *Professional Competence and Due Care* in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants for their failure to perform the audits with a level of skill and diligence expected of an auditor carrying out their reporting duty.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order 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 more than 42,000 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，二零一八年八月二十八日) 香港會計師公會轄下紀律委員會，於二零一八年七月十七日就邢芷若小姐(會員編號：F01909)及邢芷若會計師事務所(事務所編號：0685)(統稱為「答辯人」)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，對他們作出譴責。此外，紀律委員會命令答辯人須繳付罰款 70,000 港元及公會紀律程序費用 49,746 港元。

邢小姐是邢芷若會計師事務所的獨資經營者。該事務所就一間私人公司截至二零一零年至二零一五年十二月三十一日止六個年度各年的財務報表，發表了無保留的核數師意見。

二零一零至二零一五年度財務報表內所列的物業、廠房及設備方面，以及二零一四及二零一五年度財務報表內所列的所得稅方面均出現會計準則違規。此外，該等財務報表、核數師報告及所附的其他資料亦有多項計算錯誤、相互參照錯誤及遺漏、披露不完整及資料不相符。

公會經考慮所得資料後，根據香港法例第 50 章《專業會計師條例》第 34(1)(a)(vi)條作出投訴。

紀律委員會裁定答辯人進行該等審計項目時，未有履行核數師在審計上應有的技能水平及盡職表現，故違反了 Code of Ethics for Professional Accountants 第 100.5(c)條及第 130.1 條有關「Professional Competence and Due Care」的基本原則。

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。公會會員超過 42,000 名，學生人數逾 18,000。

公會開辦專業資格課程，確保會計師的入職質素，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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IN THE MATTER OF

A Complaint made under Section 34(1) and 34(1A) of the Professional Accountants Ordinance (Cap.50) ("the PAO") and referred to the Disciplinary Committee under Section 33(3) of the PAO

BETWEEN

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

AND

Ms. Ying Tze Yeuk FIRST
Membership No. F01909 RESPONDENT

T. Y. Ying & Co. SECOND
Firm No.: 0685. RESPONDENT

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

Members: Ms. Margaret Choi (Chairman)
Mr. David Fenn
Ms. Koo Kar Chun Anna
Ms. Yeung Kit Kam Lesley
Mr. Jim Wardell

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants (the "**Institute**") against Ms. Ying Tze Yeuk, certified public accountant (practising) ("**Ying**"), and T. Y. Ying & Co., a CPA Firm (the "**TY Y**") (collectively "**Respondents**"). Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("**PAO**") applied to the Respondents.
2. The Complaint as set out in a letter dated 1 February 2018 (the "**Complaint**") is as follows:-

BACKGROUND

- (1) Ying is the sole proprietor of TYY, which issued unmodified auditor's reports on the financial statements of **Sunyards Engineering Limited** (the "Company") for each of the six years ended 31 March 2010 to 2015 ("Financial Statements"). The Financial Statements were stated to have been prepared under the Small and Medium-sized Entity Financial Reporting Standards ("SME-FRSs").
- (2) A review of the audited Financial Statements and other documents attached for the six years revealed instances of non-compliance with accounting standards and numerous errors and inconsistencies. Together, those findings indicated that the Respondents failed to conduct their professional work in accordance with the Fundamental Principle of Professional Competence and Due Care, in breach of the Code of Ethics for Professional Accountants ("COE") issued by the Institute.

THE COMPLAINT

- (3) Section 34(1)(a)(vi) of the PAO applies to the Respondents in that they failed or neglected to observe, maintain or otherwise apply a professional standard namely, sections 100.5(c) and 130.1 Professional Competence and Due Care of the COE in the audits of the Financial Statements.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE COMPLAINT

- (4) Sections 100.5(c) and 130.1 of the COE requires a professional accountant to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- (5) There were errors, inconsistencies and non-compliance with accounting standards in the audited Financial Statements and other documents attached as noted below.

No disclosure of accounting policy for depreciation and no recognition of depreciation

- (6) In the audited Financial Statements for all six years, the accounting policy note on property, plant and equipment stated the following:

"Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rates used for depreciation are as follows:

Furniture, Fixtures and Equipment 20%"

- (7) The Company acquired its leasehold property in the year ended 31 December 2010. The leasehold property was material and represented at least 25% of the total assets for each of the six years. There was no disclosure in the above note or anywhere in the Financial Statements of the "estimated useful life" for the leasehold property for the purpose of determining the depreciable amount for each year. The non-disclosure

of this information was a breach of paragraph 3.20 of the SME-FRSs. In representations to the Institute, the Respondents acknowledged that this disclosure was omitted.

- (8) In addition, contrary to the above accounting policy the Company did not provide depreciation for the two years ended 31 December 2010 and 2011. This was a non-compliance with paragraph 3.11 of the SME-FRSs. The Respondents concurred with the Company's decision not to provide the depreciation but offered no justifiable grounds for their concurrence. Their 2010 and 2011 relevant working papers merely stated that "no depreciation charged for the year according to director" and "no depreciation on the leasehold property was made during the year as according to the director" , respectively.

No recognition of current income tax

- (9) No provision for current year income tax was recorded in the audited Financial Statements for the years ended 31 December 2014 and 2015. This was despite the fact that the Respondents' audit working papers documented tax provision calculations which showed that amounts of tax estimated to be payable on the profits for 2014 and 2015 were HK\$ 80,000 and HK\$ 20,000, respectively .
- (10) For 2014, the Respondents' relevant working papers stated:
- "No provision of tax had been made as it is in the opinion of the director that there is great drop in profit for the coming year and the tax prepaid for the year should be more than enough that no provision need to be made."*
- (11) For 2015, the Respondents' relevant working papers stated:
- "The tax prepaid more than cover the tax payable for 2015/2016 and provisional 2016/2017.
Therefore no tax provision was made for the year."*
- (12) The omission of current year tax provision was a non-compliance with paragraph 14.3 of the SME-FRSs as the current tax liabilities as at 31 December 2014 and 2015 were not measured at the amount expected to be paid to the taxation authorities, using the tax rates enacted by the end of the reporting periods.
- (13) Further, the Respondents' reasons for concurring with not providing for tax payable in 2014 and 2015, as extracted above, shows a fundamental misunderstanding of the nature of provision for tax payable in a year (a charge made in the income statement) and that of prepayments of tax (an asset recognised in the balance sheet).

Other errors and inconsistencies

- (14) There were errors and inconsistencies identified throughout the six years as below.
- (15) In the audited Financial Statements,

- (a) There was no disclosure of the address of the registered office of the Company for each of the six years. This non-disclosure did not comply with paragraph 1.33 of the SME-FRSs and paragraph 1.36 of the SME-FRSs;
 - (b) Staff costs disclosed were incomplete as they did not include provident fund contributions for each of the six years;
 - (c) Certain heading / caption descriptions and presentation formats in the income statements were not in accordance with those used in the SME-FRSs. Also, certain line headings used in the income statements and balance sheets were incorrect as they did not correspond to the results of operations and state of affairs presented for each of the six years; and
 - (d) There were casting errors, incorrect or missing cross-references between the income statement / balance sheet and the notes to the financial statements, and instances where amounts or information in the income statement and balance sheet did not match corresponding amounts or information in the notes or in the prior-year audited financial statements.
- (16) The Respondents did not address in the auditor's report a material inconsistency between the audited Financial Statements and the director's report: the director's report stated that there was nil dividend distribution for the year ended 31 December 2015 but the financial statements disclosed a material dividend distribution of HK\$ 1 million.
- (17) In the auditor's reports,
- (a) The page number references to the financial statements for the years ended 31 December 2010, 2014 and 2015 were misstated;
 - (b) The auditor's report misstated the financial year end for the year ended 31 December 2011; and
 - (c) The position of the paragraph heading "Auditor's responsibility" in the report for the year ended 31 December 2010 was mis-placed after the first paragraph describing the auditor's responsibility.
- (18) In the detailed income statement (included for management's reference) for the year ended 31 December 2011, the comparative amounts did not match the corresponding comparative amounts in the audited income statement and the current amounts in the prior year's detailed income statement.
- (19) The above non-compliance with accounting standards and numerous errors and inconsistencies in the audited Financial Statements and other documents attached demonstrated that the Respondents failed to perform the audits over the six years with a level of skill and diligence expected of an auditor carrying out his reporting duty with professional competence and due care.

The Proceedings

3. The Notice of Commencement of Proceedings was issued to the parties on 5 June 2018. In light of the admission made by the Respondents, the complaints against them were found proven.

4. The Respondents and the Complainant made submission on sanctions and costs on 12 and 15 June 2018 respectively.
5. 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 Complaints, the nature of the breaches, the conduct and submissions of the Complainant, the previous conviction for similar audit deficiencies of the Respondents and the Respondents' conduct throughout the proceedings. The majority of the Disciplinary Committee considered that the Respondents should deserve a higher penalty.
6. The Disciplinary Committee ordered that:-
 - (a) the Respondents be reprimanded under Section 35(1)(b) of the PAO;
 - (b) the Respondents pay a penalty of HK\$70,000.00 under Section 35(1)(c) of the PAO;
 - (c) the Respondents do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$49,746.00 under Section 35(1)(iii) of the PAO.

Dated 17 July 2018

Ms. Margaret Choi
Chairman

Mr. David Fenn
Disciplinary Panel A

Ms. Yeung Kit Kam Lesley
Disciplinary Panel B

Ms. Koo Kar Chun Anna
Disciplinary Panel A

Mr. Jim Wardell
Disciplinary Panel B

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COMPLAINANT

AND

Ms. Ying Tze Yeuk
Membership No. F01909

FIRST
RESPONDENT

T.Y. Ying & Co.
Firm No.: 0685

SECOND
RESPONDENT

CORRIGENDUM

The following is a corrigendum to the Order & Reasons for Decision dated 17 July 2018:

On page 2, paragraph (1) concerning the year-end of the financial statements,

"...31 March 2010 to 2015..."

is amended to

"...31 December 2010 to 2015..."

Dated: 3 August 2018

Clerk to the Disciplinary Committee