



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)

(HONG KONG, 30 November 2021) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ms. Hui Mei Sum, Virginia Ann, certified public accountant (practising) (F02923) on 21 October 2021 for her failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute, and for professional misconduct. The Committee further ordered the cancellation of Hui's practising certificate, with no issuance of a practising certificate to her for 6 months, with effect from 2 December 2021. In addition, the Committee ordered Hui to pay costs of the disciplinary proceedings of HK\$141,811.

Hui is the sole director of V A Hui & Co Limited ("Practice"). An initial practice review conducted on the Practice revealed a number of significant deficiencies in its quality control system. In addition, significant deficiencies were found in three of the Practice's audit engagements. **Inadequate audit procedures were performed on: sponsorship income of a non-profit entity, construction contracts of an engineering company, and sales and administration expenses in the consolidated financial statements of a group.** In the aforementioned group audit, Hui also failed to determine whether the extent of a limitation of audit scope would require her to disclaim the audit opinion or withdraw from the engagement. Furthermore, multiple submissions of inaccurate client lists of the Practice were made during the practice review, demonstrating Hui's negligence in supervising her staff and managing the Practice's engagements.

After considering the information available, the Institute lodged complaints against Hui under sections 34(1)(a)(vi) and 34(1)(a)(viii) of the Professional Accountants Ordinance.

Hui admitted the complaints against her. The Disciplinary Committee found that Hui was in breach of:

- (i) Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*;
- (ii) Hong Kong Standard on Auditing ("HKSA") 230 *Audit Documentation*;
- (iii) HKSA 500 *Audit Evidence*;
- (iv) HKSA 700 *Forming an Opinion and Reporting on Financial Statements*;
- (v) HKSA 705 *Modifications to the Opinion in the Independent Auditor's Report*; and
- (vi) 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.

The Committee further found the above breaches and facts to be very serious, amounting to professional misconduct.

Having taken into account the circumstances of the case, including remedial and preventive measures taken by Hui subsequently, the Disciplinary Committee made the above order against Hui 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 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:**

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## 香港會計師公會對一名執業會計師作出紀律處分

(香港，二零二一年十一月三十日) 香港會計師公會轄下一紀律委員會，於二零二一年十月二十一日就執業會計師許美心女士(會員編號：F02923)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及犯有專業上的失當行為，對她予以譴責。紀律委員會另命令由二零二一年十二月二日起吊銷許女士的執業證書，並在六個月內不向其另發執業證書。此外，紀律委員會命令許女士須繳付紀律程序費用 141,811 港元。

許女士是許美心會計師事務所有限公司(「執業單位」)的唯一董事。該執業單位的品質監控系統，於初次執業審核中被發現有多項嚴重缺失。此外，該執業單位的其中三個審計項目，亦因審計程序不足而顯示嚴重缺失，其中涉及一所非盈利實體的贊助收入、一間工程公司的施工合同、以及一集團合併財務報表內的銷售收入及管理費用。在上述集團的審計中，許女士同時未對審計範圍受限制的程度進行評估，及繼而就是否需要拒絕發表審計意見，或辭任為核數師作出決定。此外，許女士於是次執業審核中屢次提交錯誤業務客戶名單，此顯示她在監督員工及管理業務方面犯有疏忽。

公會經考慮所得資料後，根據《專業會計師條例》第 34(1)(a)(vi)及 34(1)(a)(viii)條對許女士作出投訴。

許女士承認投訴中的指控屬實。紀律委員會裁定許女士違反了：

- (i) Hong Kong Standard on Quality Control 1 「*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*」；
  - (ii) Hong Kong Standard on Auditing (「HKSA」) 230 「*Audit Documentation*」；
  - (iii) HKSA 500 「*Audit Evidence*」；
  - (iv) HKSA 700 「*Forming an Opinion and Reporting on Financial Statements*」；
  - (v) HKSA 705 「*Modifications to the Opinion in the Independent Auditor's Report*」；
- 及

(vi) Code of Ethics for Professional Accountants 第 100.5 (c) 及 130.1 條有關「Professional Competence and Due Care」的基本原則。

此外，紀律委員會認為許女士上述違規行為和事實非常嚴重，故裁定許女士犯有專業上的失當行為。

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)條向許女士作出上述命令。

#### 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 47,000 名，學生人數逾 17,000。

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。

#### **香港會計師公會聯絡資料：**

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IN THE MATTER OF

A Complaint made under section 34(1) of the Professional Accountants Ordinance (Cap. 50) (the “PAO”)

BETWEEN

The Practice Review Committee of the Hong Kong Institute of Certified Public Accountants      COMPLAINANT

AND

Hui Mei Sum, Virginia Ann (F02923)      RESPONDENT

Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (the “**Disciplinary Committee**”)

Members:    Mr DAWES, Victor, SC (Chairman)  
                 Mr LAM, Chi Ki  
                 Mr LAM, Yin Shing, Donald  
                 Ms LI, Yin Fan  
                 Mr SO, Kwok Kay

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**ORDER AND REASONS FOR DECISION**

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*Introduction*

1. This is a complaint made by the Practice Review Committee (“**PRC**”) of the Hong Kong Institute of Certified Public Accountants (the “**Institute**”) against Ms Hui Mei Sum, Virginia Ann, a certified public accountant (“**CPA**”) (practising) (the “**Respondent**”).
2. The Respondent is the sole proprietor of V A Hui & Co Limited (“**Practice**”). The Respondent became a CPA in 1992 and was issued a practising certificate

in 1995. The Practice was first registered as a practice unit in 2000. The Practice was subject to an initial practice review by the Quality Assurance Department (“QAD”) which concluded in September 2019. The QAD issued a Reviewer’s Report dated 23 March 2020, which gave rise to the present complaint.

3. On 28 May 2021, the PRC’s representative wrote to the Disciplinary Committee informing it that:
  - (a) the parties had applied to amend the complaint against the Respondent;
  - (b) the Respondent had admitted the amended complaint against her;
  - (c) the parties were now jointly applying for the steps set out in Rules 17 to 30 of the Disciplinary Committee Proceedings Rules (“DCPR”) to be waived and that the amended complaint which had been admitted by the Respondent be disposed of on the basis of the admission made; and
  - (d) the parties also sought the Disciplinary Committee’s confirmation that the approach in paragraph (c) was appropriate for adoption and sought further directions for parties to file and serve written submissions on sanctions and costs pursuant to rule 31 of the DCPR.
4. In its reply dated 4 June 2021, the Disciplinary Committee agreed to the amended complaint and made directions for the parties to file and serve written submissions on sanctions and costs.
5. **At the time of the practice review, the Practice had one qualified and three non-qualified audit staff. All four of the audit staff (collectively “Former Staff”) resigned between June and August 2018.** The Practice originally reported that it had issued audit reports to approximately 150 audit clients during an 18-month period spanning between September 2016 to March 2018 (“Relevant Period”).

#### *The Complaints*

6. The amended complaint is set out as an attachment to the 28 May 2021 letter from the PRC (“Amended Complaint”). The complaints are divided into five broad headings, which we now reproduce herein:

### Complaint 1

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that she failed or neglected to observe, maintain or otherwise apply a professional standard for her failure to maintain an adequate quality control system in the Practice.

### Complaint 2

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that she failed or neglected to observe, maintain or otherwise apply professional standards in relation to the audit of Client H's financial statements for the year ended 31 December 2016.

### Complaint 3

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that she failed or neglected to observe, maintain or otherwise apply professional standards in relation to the audit of Client Y's financial statements for the year ended 31 March 2017.

### Complaint 4

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that she failed or neglected to observe, maintain or otherwise apply professional standards in relation to the audit of Client P's consolidated financial statements for the year ended 31 December 2016.

### Complaint 5 [Formerly Complaint 6]

Section 34(1)(a)(viii) of the PAO applies to the Respondent in that her non-compliances as stated in Complaints 1 to 4 above together with the facts and circumstances as stated in Complaint 5 below amount to professional misconduct.

7. Complaints 1-4 concern a number of significant deficiencies in relation to the Practice's quality control system and the discovery of audit irregularities in three audit engagements reviewed by the practice review team in respect of the audits of the financial statements of 3 clients (referred to as Client H, Client Y, and Client P in the Admitted Complaint). The audit deficiencies were not only

serious but involved fundamental accounting principles which put into question the appropriateness of the audit opinion. In essence:

- (a) Complaint 1 involved various breaches of Hong Kong Standard on Quality Control 1 (“**HKSQC 1**”). In relation to engagement performance, the facts and circumstances surrounding Complaints 2 to 4 showed that the Practice had failed to establish policies and procedures designed to provide it with reasonable assurance that the engagements were performed in accordance with professional standards, and that the reports issued were appropriate in the circumstances. Furthermore, the external monitor which reviewed the engagement of Client H failed to spot significant deficiencies in the auditing process and had nevertheless signed off the relevant file inspection report.
- (b) Complaint 2 involved the audit of **Client H, a non-profit entity deriving most of its income from sponsorships**. Reported revenue should have been regarded as a fundamental item in the financial statements. Despite this, the transaction test for sponsorship income was done by simply reviewing “invoices” produced by Client H itself. There was no evidence that the Respondent had inspected third-party evidence such as sponsorship contracts or agreements, or bank records to ensure Client H had received and recorded the income in accordance with the sponsorship agreements. Existing working papers did not support the revenue reported in the financial statements or show that the Respondent had performed adequate work to address the cut-off assertion of revenue reported therein. This showed the Respondent was in breach of paragraph 6 of Hong Kong Standard on Auditing (“**HKSA**”) 500. There was also a failure to prepare sufficient audit documentation on certain material items, in breach of paragraphs 8 and 9 of HKSA 230.
- (c) Complaint 3 involved the audit of **Client Y, an engineering company whose main source of revenue was generated from construction work**. Its financial statements were subject to section 8 SME-FRS (relating to construction contracts). However, based on existing working papers, Client Y did not track or record direct costs based on projects, nor was there any evidence of a progress report for projects undertaken by Client Y. As such, Client Y did not appear to have recorded its revenue and direct costs in accordance with SME-FRS. The Respondent failed to identify this fundamental non-compliance and failed to perform adequate audit procedures. There was no reasonable assurance that the revenue and expense accounts were free from material misstatements, whether due to



fraud or error. No modified audit opinion was issued in spite of these circumstances. These failures were breaches of paragraph 6 of HKSA 500, as well as paragraphs 10-12 and 17 of HKSA 700.

(d) Complaint 4 concerned the audit of consolidated financial statements of Client P, a private group consisting of 5 subsidiaries. This too, was improperly done as there was an overall failure to obtain sufficient audit evidence. The Practice issued a qualified opinion on the consolidated financial statements of the group, and stated that there was a scope limitation imposed, in that there was insufficient information concerning Client P's mainland China subsidiaries for the Practice to determine whether adjustments should be made at the consolidated level. The scope limitation could lead to potential misstatements, and the possible effects of undetected statements in the client's financial statements could be both material and pervasive, yet the Respondent failed to determine the implications as to whether she should have withdrawn from the engagement or disclaim the opinion, in breach of paragraph 13(b) HKSA 705.

8. Complaint 5 concerns serious deficiencies relating not only on the audit quality of the Practice's engagements (as set out in Complaints 1-4), but on the leadership, professional competence and due care of the Respondent in running the Practice. During the course of their practice review, the QAD received multiple submissions of inaccurate client lists from the Respondent, which demonstrated her grossly inadequate control over the Practice. Apart from revealing a fundamental weakness in the Practice's quality control system, they also revealed her negligence in supervising the Former Staff and her management of the Practice's engagements. This directly hampered the QAD's task of carrying out its review in an efficient and effective manner. Doubts were also raised as to whether the Respondent acted in accordance with professional standards required under sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.
9. HKSQC 1 and all HKSA's are professional standards referred to in the PAO. In addition, the seriousness and breadth of the multiple breaches and factual matters in these complaints amount to professional misconduct. Section 34(1)(a)(vi) PAO accordingly applies to the Respondent.

*Order of the Disciplinary Committee; Sanctions and Costs*

10. The Respondent agrees to and admits the Amended Complaint in full. The Disciplinary Committee is satisfied that the Amended Complaint has been proved.
11. The sanctions must be proportionate, reasonable, and reflect the seriousness of the breaches in order to constitute an effective deterrent and preserve the public's confidence in the profession. The Committee regrettably takes the view that a cancellation of the Respondent's practising certificate for a period of time is inevitable. As the Respondent's legal representatives acknowledged, the Amended Complaints fall within the category of "serious" by reference to paragraph 6.1 of the Institute's Guidelines to Disciplinary Committee for Determining Disciplinary Orders.
12. We further note that the Respondent accepts her liability to meet the costs of and incidental to these proceedings, and we so order.
13. As to the length of the appropriate suspension of the Respondent's practicing certificate, we have been referred to a fairly substantial number of earlier decisions, which we have carefully considered. While previously decided cases are helpful, each case will ultimately turn on its own individual circumstances.
14. We are unable to agree with the Respondent's suggestion that the "maximum suspension period should be no more than 3 months". We have taken into account but are unable to place any substantial weight on the Respondents' clean and unblemished disciplinary record. The deficiencies identified in the Respondent's Practice did not happen overnight. Whilst we emphasise that this is not an aggravating factor in present case, we cannot help but think that the Respondent's breaches are wholly unacceptable for a practitioner of her seniority.
15. On the other hand, we do recognise that the Respondent has made an admission of liability and has taken remedial and preventative measures – which are supported by documentation.
16. Having considered the facts of the present case and the parties' submissions, the Disciplinary Committee orders that:
  - (a) The Respondent be reprimanded under section 35(1)(b) of the PAO.

- (b) The Respondent's practising certificate be cancelled effective from 42 days from the date hereof under section 35(1)(da) of the PAO.
- (c) A practising certificate shall not be issued to the Respondent for a period of 6 months effective from 42 days from the date hereof under section 35(1)(db) of the PAO; and
- (d) The Respondent do bear the costs and expenses incidental to the proceedings in the sum of HK\$141,811 under section 35(1)(iii) of the PAO, which includes the costs of the Clerk to the Disciplinary Committee.

Dated 21 October 2021

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Mr DAWES, Victor, SC  
Chairman

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Mr LAM, Chi Ki  
Member (Disciplinary Panel A)

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Mr LAM, Yin Shing, Donald  
Member (Disciplinary Panel A)

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Ms LI, Yin Fan  
Member (Disciplinary Panel B)

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Mr SO, Kwok Kay  
Member (Disciplinary Panel B)