

Order No. DT02/2020

**The Hong Kong Institute of Chartered Secretaries (“HKICS”)
and
China Division of The Chartered Governance Institute
formerly The Institute of Chartered Secretaries and Administrators (“ICSA”)**

**Decision of the Disciplinary Tribunal (“DT”) Concerning the Complaint
Against Mr So Kwok Keung Keith (the “Respondent”)**

Date of DT hearing and Decision: 21 April 2020
Date of Reasons for Decisions: 25 May 2020

For the purpose of this Decision, The Chartered Governance Institute formerly known as The Institute of Chartered Secretaries and Administrators (“ICSA”) is referred to as ICSA.

Pursuant to ICSA Byelaw 23.1 and HKICS Article 25.2, the Investigation Group (“IG”) of both ICSA China Division and HKICS by its report dated 22 October 2019 recommended to the DT for consideration of the Respondent for professional misconduct in having been found contravened section 34(1)(a)(vi) of Professional Accountants Ordinance (Cap. 50) (“PAO”) of failing or neglecting to observe, maintain or otherwise apply a professional standard of a certified public accountant in the order and reasons for decision of the Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (“HKICPA DC”) dated 5 November 2018 and the respective press release dated 10 December 2018 (HKICPA proceedings no.: D-17-1268F) (the “HKICPA decision”).

The Respondent provided documents and explanations to HKICS IG.

After the notice to this DT hearing was issued to the Respondent on 21 January 2020, he did not reply to the DT. No written submission nor reply on his hearing attendance had been received from him by the reply deadline of 22 February 2020 and also as of 21 April 2020.

The DT met on 26 November 2019 and 21 April 2020 to consider the present case.

Having reviewed the HKICPA decision and the explanations given by the Respondent, the DT has found and decided the following on 21 April 2020:

Background

1. The Respondent has not appealed against the HKICPA decision which is binding.
2. The Respondent did not dispute the facts as set out in the complaint in the HKICPA decision and confirmed his admission of the complaint against him.
3. The Respondent was the engagement quality control reviewer of the audit (audit reviewer) of its client concerned which was a listed company. The Respondent was responsible for the quality of the audit engagement.

4. The Respondent was also a certified public accountant in addition to being a Chartered Secretary.
5. The Respondent was found by the HKICPA DC that :-
 - (i) the Respondent did not comply with the Hong Kong Standard on Auditing 220 "Quality Control for Audits of Historical Financial Information", paragraph 38, of failing to carry out an adequate review in respect of the mentioned area in the HKICPA decision; and
 - (ii) the Respondent failed to act diligently and carry out his work with professional competence and due care in accordance with sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.
6. The Respondent was found by the HKICPA DC that he failed to carry out an adequate review in respect of the fair value of two listed available-for sale investments at the material time.
7. The Respondent was sanctioned by the HKICPA DC for his performance being not up to the stipulated professional standard of a certified public accountant.
8. The HKICS Code of Professional Ethics and Conduct (the "Code") requires members to observe the highest standards of professional conduct and ethical behaviour in all their activities and to uphold the objectives of HKICS. In particular, members shall abide by the letter and spirit of the Articles of Association of HKICS and any codes or byelaws made pursuant thereto; to uphold the ICOSA's Charter and comply with its Byelaws; at all times be cognisant of their responsibilities as professional persons towards the wider community; to maintain good corporate governance, management and efficient administration in their professional capacity as a Chartered Secretary; and exercise probity, honesty and diligence in carrying out their duties and responsibilities.
9. The core principle of high standard of service/professional competence of the Code requires that regardless of the capacity or position that a member holds, he is required to deliver the high standards of services or professional competence throughout his working life.
10. The core principle of professional behaviour of the Code requires that members of the Institute should act in a way which conformed to the relevant laws of the respective jurisdiction, members should also pay regard to all regulations which may have a bearing on their actions.
11. The DT considered that when audit work of listed companies were involved, public interests and the interest of the investing public were both at stake.
12. The DT considered the fact that the Respondent failed to discharge his audit reviewer duties and was disciplined and publicly sanctioned by the HKICPA DC, thereby bringing the Institute and the profession into disrepute in breach of the core principle of integrity of the Code.

The decision of the Disciplinary Tribunal

13. The DT had found that the complaint against the Respondent was proved, in particular, the Respondent's failure or neglect to apply the professional standard of a certified public accountant in his position as such and thereby disciplined by

HKICPA, thereby in breach of:

- (i) ICSA Byelaw 23.8(c) that he has failed to uphold the code of professional conduct and ethics;
 - (ii) ICSA Byelaw 23.8(d) that he has behaved, by doing something or not doing something, in a way considered by the DT to bring ICSA or the profession into disrepute;
 - (iii) HKICS Article 25.1(c) that he has conducted himself whether by act or default in a manner that might or is likely to be discreditable to HKICS; and
 - (iv) HKICS Article 25.1(d) that he has acted in breach of the Articles of Association of HKICS or any rules, regulations, codes of practice or conduct, directions or instructions made or established by or under the authority of the Council.
14. Having taken into account of the admission of the Respondent, the circumstances of the case and the mitigating factors, pursuant to ICSA Byelaw 24.1 and HKICS Article 27 the DT **ORDERED** that
- (a) the Respondent be publicly reprimanded, and this decision shall be published publicly via the Institute's website and/or other official channels, with such news be included in the Institute's journal; and
 - (b) the Respondent shall pay the Institute's costs of HK\$3,000.
15. Pursuant to ICSA Byelaw 25 and HKICS Article 28, the Respondent shall be entitled to appeal against the decision or any part of it by submitting, in writing, a request that the matter should be considered by the Appeal Tribunal, specifying in the request the grounds to be relied on in support of the appeal. The notice of intention to appeal must be received by HKICS within 28 days of his having been advised of the decision of DT and may be given to the person by whom the notice of the decision was given or to the Secretary of HKICS or any person authorised to receive such notice. If the notice of intention to appeal is given by telephone or other electronic method, it must be confirmed in writing within 14 days.

Dated 25 May 2020

Chairman, Disciplinary Tribunal