



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

(HONG KONG, 7 October 2020) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Ng Ka Kuen, certified public accountant (practising) (A25914) on 18 June 2019 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered that the practising certificate issued to Ng be cancelled and no practising certificate shall be issued to him for 16 months. In addition, Ng was ordered to pay costs of the disciplinary proceedings of HK\$52,977.

Ng lodged an appeal against the Disciplinary Committee's order but subsequently he withdrew the appeal, whereupon his practising certificate was cancelled for 16 months with effect from 21 September 2020 pursuant to the order.

Ng was the sole practising director of UC CPA (Practising) Limited ("Practice") and was responsible for the Practice's quality control system. The Practice was selected by the Institute for practice review in 2016.

The practice reviewer identified multiple breaches of auditing standards in two audit engagements selected for the review. The breaches show that Ng did not carry out the audits with the level of professional competence and due care expected of him. In addition, the breaches show that the Practice failed to have an adequate system of quality control to ensure that it had adequate human resources to uphold audit quality and that it performed audit engagements in accordance with professional standards.

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

Ng admitted the complaint against him. The Disciplinary Committee found that Ng was in breach of (i) the fundamental principle of professional competence and due care in sections 100.5 (c) and 130 of the Code of Ethics for Professional Accountants, and (ii) 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*.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Ng 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 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作出紀律處分

(香港，二零二零年十月七日) 香港會計師公會轄下紀律委員會，於二零一九年六月十八日就執業會計師吳嘉權先生(會員編號：A25914)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作出譴責。紀律委員會另命令吊銷吳先生的執業證書，並在 16 個月內不向其另發執業證書。此外，吳先生須繳付紀律程序費用 52,977 港元。

吳先生先對紀律委員會的命令提出上訴，其後撤銷，公會隨之根據命令吊銷吳先生的執業證書，由二零二零年九月二十一日起生效，為期 16 個月。

吳先生是聯禾執業會計師有限公司(「事務所」)的唯一執業董事，負責事務所的品質監控系統。事務所於二零一六年被公會挑選進行執業審核。

執業審核人員於兩個抽選的審計項目發現多處違反審計準則的情況。該等違規顯示吳先生執行有關審計時沒有履行應有的專業水平及謹慎態度。此外，該等違規亦反映事務所沒有建立完備的品質監控系統，以確保由足夠人力資源來維持審計質素及按專業準則來執行審計項目。

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)對吳先生作出投訴。

吳先生承認投訴中的指控屬實。紀律委員會裁定吳先生違反了(i)Code of Ethics for Professional Accountants 第 100.5(c)條及第 130 條有關「Professional Competence and Due Care」的基本原則，以及(ii)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」。

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)條向吳先生作出上述命令。

### 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 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) 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

Mr. Ng Ka Kuen  
(Membership no. A25914)

RESPONDENT

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

Members: Ms. KOO Kar Chun, Anna (Chairman)  
Mr. CHAN Raymond  
Ms. DOE Julianne Pearl  
Ms. CHUA Suk Lin, Ivy  
Mr. WOO King Hang

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**ORDER AND REASONS FOR DECISION**

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1. This is a complaint made by the Practice Review Committee of the Hong Kong Institute of Certified Public Accountants (the "**Institute**") as Complainant against Mr. Ng Ka Kuen, a practising certified public accountant (the "**Respondent**"). Section 34(1)(a)(vi) of the PAO applied to the Respondent.
2. The particulars of the Complaint as set out in a letter from the Practice Review Committee to the Registrar of the Institute dated 10 October 2018 (the "**Complaint**") are as follows:

**BACKGROUND**

- (1) UC CPA (Practising) Limited (corporate practice no.: S0267) (the "**Practice**") was selected for a practice review in 2016. The practice review site visit took place during the period from 20 June 2016 to 15 February 2017.

- (2) As part of the practice review, the reviewer selected the audit engagements of two companies which involve high public interest (i.e. Client A and Client B). **Client A is a listed company** and Client B is a regulated insurance broker.
- (3) The reviewer identified a number of deficiencies in both audits of Clients A and B which indicate that the Practice's audit methodology was non-compliant with professional standards. In addition, the reviewer also identified material weaknesses in the Practice's quality control system in breach of 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* ("**HKSQC 1**").
- (4) The Respondent was the sole practising director of the Practice from 12 June 2007 to 2 March 2017 and was responsible for the Practice's quality control system during the period under review.
- (5) As engagement director responsible for the audits of Clients A and B, the Respondent was found to have failed to maintain professional competence and knowledge at the level expected of a professional accountant. As the director responsible for the Practice, the Respondent was also found to have breached HKSQC 1.

## **THE COMPLAINT**

### Complaint 1

- (6) Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard for his failure to comply with the fundamental principle of professional competence and due care when carrying out the audits of Client A and Client B.

### Complaint 2

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

## **FACTS AND CIRCUMSTANCES IN SUPPORT OF COMPLAINT 1**

- (8) Complaint 1 concerns the audits of Client A and Client B.
- (9) As Auditor, the Respondent is required to comply with all Hong Kong Standard on Auditing ("**HKSAs**") relevant to an audit in accordance with HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*. However, the Respondent was found to have breached a number of HKSAs in the audits of Client A and Client B.

### **Client A**

- (10) In the audit of Client A, the Respondent was found to have breached a number of HKSA's for failing to:
- (10.1) Establish performance materiality and a clearly trivial amount in accordance with HKSA 320 *Materiality in Planning and Performing an Audit* and HKSA 450 *Evaluation of Misstatements Identified during the Audit*; and determine the performance materiality at the component level in accordance with HKSA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.
  - (10.2) Determine sample sizes under appropriate sampling method to provide a reasonable basis for drawing conclusions in respect of the audit substantive tests on sales and purchase transactions, in accordance with HKSA 530 *Audit Sampling*.
  - (10.3) Perform alternative audit procedures to obtain sufficient audit evidence for non-replied confirmations and evaluate whether results of the confirmation procedures provided relevant and reliable audit evidence, in accordance with HKSA 505 *External Confirmations*.
  - (10.4) Design and perform final analytical procedures to assist in the forming of overall conclusion as to whether the Client A 2015 Financial Statements were consistent with the Auditor's understanding of entity, in accordance with HKSA 520 *Analytical Procedures*.
  - (10.5) Prepare adequate audit documentation which provides a sufficient and appropriate record of the audit work done in accordance with HKSA 230 *Audit Documentation*.
  - (10.6) Design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence in accordance with HKSA 500 *Audit Evidence* in respect of two significant accounts, namely investment property and prepayments.

### **Client B**

- (11) For Client B, the reviewer also identified multiple breaches of HKSA's indicating that the Respondent had failed to:
- (11.1) Establish an appropriate basis for determining performance materiality in accordance with HKSA 320.
  - (11.2) Perform sufficient and adequate audit procedures on the opening balances in accordance with HKSA 510 *Initial Audit Engagements – Opening Balances*.

- (11.3) Document how the Auditor had determined the sample size and method in respect of the audit substantive tests on income and expenses in accordance with HKSA 230 and HKSA 530.
- (11.4) Perform alternative audit procedures to obtain sufficient audit evidence for non-replied confirmations and evaluate whether results of the confirmation procedures provided relevant and reliable audit evidence, in accordance with HKSA 505.
- (11.5) Design and perform final analytical procedures to assist in the forming of overall conclusion as to whether the Client B Financial Statements were consistent with the Auditor's understanding of entity, in accordance with HKSA 520.
- (11.6) Design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence in accordance with HKSA 500 in respect of a significant account, namely accounts receivable.
- (12) According to sections 100.5(c) and 130 of the *Code of Ethics for Professional Accountants* ("**Code**"), a professional accountant must comply with the fundamental principle of professional competence and due care by maintaining professional knowledge and skill at the level required to ensure that clients receive competent professional service and act diligently in accordance with applicable professional standards.
- (13) The Respondent did not meet the requirements of all HKSAs relevant to the audits of Clients A and B despite making such a representation of compliance in the auditor's reports and, as such, section 34(1)(a)(vi) of the PAO applies to the Respondent.
- (14) In addition, the above multiple breaches of HKSAs show that the Respondent did not carry out the audits with the level of professional competence and due care expected of him, in breach of sections 100.5(c) and 130 of the Code.
- (15) As the Code is a professional standard referred to in the PAO, section 34(1)(a)(vi) of the PAO also applies to the Respondent in this respect.

## **FACTS AND CIRCUMSTANCES IN SUPPORT OF COMPLAINT 2**

- (16) Under HKSQC 1, the Practice is required to have a quality control system which provides reasonable assurance that the Practice and its personnel comply with professional standards and issue reports that are appropriate in the circumstances.



- (17) The Practice is required to address the quality control elements of human resources and engagement performance by establishing policies and procedures designed to provide it with reasonable assurance that:
- (17.1) It has sufficient personnel with the competence, capabilities and commitment to uphold audit quality, in accordance with paragraphs 29 to 31 of HKSQC 1;
  - (17.2) Engagements are performed in accordance with professional standards, in accordance with paragraphs 32 of HKSQC 1; and
  - (17.3) Engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team is performed for audits of listed companies, in accordance with paragraphs 35 to 42 of HKSQC 1.
- (18) The multiple breaches of auditing standards as described under Complaints 1 and 2 show that the Practice did not (i) have sufficient personnel with the expected level of competence with which to carry out its audits; (ii) have appropriate audit methodology compliant with professional standards; and (iii) obtain sufficient appropriate evidence and/or provide adequate documentation in carrying out the relevant engagements.
- (19) In addition, the practice reviewer also found that the engagement quality control reviewer for Client A failed to carry out an effective review.
- (20) On the above basis, the Practice failed to have an adequate system of quality control to ensure that it (i) possessed adequate and appropriate human resources to uphold audit quality; and (ii) performed audit engagements in accordance with professional standards.
- (21) As the sole practising director at the time of the practice review, the Respondent is responsible for the Practice's failure to establish and maintain a system of quality control which meets the HKSQC 1 requirements.
- (22) As HKSQC 1 is a professional standard referred to in the PAO, section 34(1)(a)(vi) of the PAO applies to the Respondent.

## **THE PROCEEDINGS**

3. By letter signed by the parties dated 26 November 2018, the Respondent admitted the Complaint against him, and the parties requested that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules ("DCPR") be dispensed with.

4. 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 Respondent, and directed the parties to make written submissions on sanctions and costs. Neither the Complainant nor the Respondent requested for a hearing.
5. The complaints were all found proven on the basis of the admission made by the Respondent.
6. The Complainant and Respondent filed their written submissions on sanctions and costs on 29 March 2019 and 28 March 2019 respectively.
7. 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 Respondent's personal circumstances, and the conduct of the Complainant and the Respondent throughout the proceedings.

#### **SANCTIONS AND COSTS**

8. The Disciplinary Committee orders that:-
  - 1) the Respondent be reprimanded under Section 35(1)(b) of the PAO;
  - 2) the practising certificate issued to the Respondent be cancelled under Section 35(1)(da) of the PAO;
  - 3) a practising certificate shall not be issued to the Respondent for 16 months under Section 35(1)(db) of the PAO; and
  - 4) the Respondent do pay 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\$52,977 under Section 35(1)(iii) of the PAO.

The above shall take effect on the 42<sup>nd</sup> day from the date of this Order.

Dated the 18<sup>th</sup> day of June 2019

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Ms. KOO Kar Chun, Anna  
(Chairman)

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Mr. CHAN Raymond  
(Member)

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Ms. CHUA Suk Lin, Ivy  
(Member)

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Ms. DOE Julianne Pearl  
(Member)

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Mr. WOO King Hang  
(Member)