



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

Dear Assignment/News/Business Section Editor

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

(HONG KONG, 21 January 2016) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered cancellation of the practising certificate of Leung Kam Man Victor (membership number F06233) beginning 9 February 2016 with no issuance of a practising certificate to him for 3 months. The Committee reprimanded WB CPA Limited (corporate practice number S447). The two respondents were ordered to pay costs of the disciplinary proceedings of HK\$69,812.

WB was appointed as auditor of six private companies and completed the financial statement audits of two of the companies. Leung was the engagement director. Multiple deficiencies were identified in the audit work carried out, in addition to the audit engagement acceptance procedures. After considering the information available, the Institute lodged complaints against the respondents under sections 34(1)(a)(ix), (vi) and (viii) of the Professional Accountants Ordinance (Cap 50).

Leung and WB admitted the complaints against them. The Disciplinary Committee found that they were in breach of:

- (1) the requirements of the Corporate Practices (Registration) Rules relating to auditor's reports and audit engagement letters of a corporate practice;
- (2) Hong Kong Standards on Auditing 230 *Audit Documentation* and 500 *Audit Evidence*;
- (3) section 440 of Code of Ethics for Professional Accountants in respect of client acceptance procedures; and
- (4) the fundamental principle of professional competence and due care specified in section 130 of the Code of Ethics for Professional Accountants.

In addition, the Disciplinary Committee found that Leung and WB were guilty of professional misconduct as a result of their multiple failures to comply with professional standards.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Leung and WB under section 35(1) of the ordinance.

Under the ordinance, if the respondents are aggrieved by the order, they may give notice of an appeal to the Court of Appeal within 30 days after they are served the order.

The order and findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. Three members of each committee, including a chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interest of justice. A hearing schedule is available at the Institute's website. A CPA who feels aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions include temporary or permanent removal from membership or cancellation of a practicing certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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### **About the Hong Kong Institute of Certified Public Accountants**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 39,000 members and 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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致：編採主任／新聞／財經版編輯

## 香港會計師公會對一名執業會計師及一執業法團作出紀律處分

(香港，二零一六年一月二十一日) — 香港會計師公會轄下一紀律委員會，命令由二零一六年二月九日起吊銷梁鑑文先生(會員編號：F06233)的執業證書，並在三個月內不給他另發執業證書。委員會又對威鵬會計師事務所有限公司(執業法團編號：S447)作出譴責。此外，兩名答辯人須共同支付公會紀律程序的費用共港幣六萬九千八百一十二元。

威鵬獲委任為六間私人公司的核數師，並完成了其中兩間公司財務報表的審計工作。梁先生是項目的執業董事。有關的審計工作及審計應聘程序被發現有多項缺失。公會經考慮所得的資料，根據《專業會計師條例》(第50章) 第34(1)(a)(ix)、(vi)及(viii)條對兩名答辯人作出投訴。

梁先生和威鵬承認投訴中的指控屬實，紀律委員會裁定他們違反了以下的規則及專業準則：

- 1) Corporate Practices (Registration) Rules內有關執業法團的核數師報告及審計約定書的規定；
- 2) Hong Kong Standards on Auditing 第230號 *Audit Documentation* 及第500號 *Audit Evidence* ；
- 3) Code of Ethics for Professional Accountants第440條內有關接受客戶委託的程序；及
- 4) Code of Ethics for Professional Accountants內第130條的Fundamental Principle of Professional Competence and Due Care ；

此外，紀律委員會亦裁定梁先生和威鵬因違反多項專業準則而犯下專業失當行為。

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)條向兩名答辯人作出上述的命令。

根據《專業會計師條例》，如答辯人不服紀律委員會對他們作出的命令，可於命令文本送達後30天內向上訴法庭提出上訴。

紀律委員會的書面判決可於公會網頁內Compliance 部分查閱，網頁為 [www.hkicpa.org.hk](http://www.hkicpa.org.hk)

公會的紀律程序是根據《專業會計師條例》第V部份，由五位成員組成的紀律委員會執行。每個紀律委員會的大多數成員，即包括主席在內的三名成員，是從業外人士組成的紀律小組中選派，該紀律小組的成員是由香港特別行政區行政長官委任的；另外兩名成員由專業會計師出任。

除非負責的紀律委員會因公平理由認為不恰當，否則紀律聆訊一般以公開形式進行。紀律聆訊的時間表可於公會網頁查閱。如當事人不服紀律委員會的裁判，可向上訴法庭提出上訴，上訴法庭可確定、修改或推翻紀律委員會的裁判。

紀律委員會有權向公會會員、執業會計師事務所會員及註冊學生作出處分。紀律處分範圍包括永久或有限期地將違規者從會計師註冊紀錄冊中除名或吊銷其執業證書、對其作出譴責、下令罰款不多於五十萬港元，以及支付紀律程序的費用。

## 關於香港會計師公會

香港會計師公會是香港唯一獲法例授權負責專業會計師註冊兼頒授執業證書的組織，會員人數超過三萬九千，註冊學生人數逾一萬八千。公會會員可採用「會計師」稱銜（英文為 **certified public accountant**，簡稱 **CPA**）。

公會(Hong Kong Institute of Certified Public Accountants)於一九七三年一月一日成立，當時的英文名稱為 **Hong Kong Society of Accountants**。

公會根據《專業會計師條例》履行職責，以公眾利益為依歸。其職能廣泛，包括開辦專業資格課程(Qualification Programme)以確保會計師的入職質素，以及頒布香港的財務報告、審計及專業操守準則。此外，公會亦負責在香港監管和推動優良而有效的會計實務，以鞏固香港作為國際金融中心的領導地位。

香港會計師公會是全球會計聯盟（**Global Accounting Alliance**，**GAA**）的成員之一。全球會計聯盟於二零零五年成立，聯合了全球頂尖的專業會計團體，推動優質服務，並積極與各地監管機構、政府及關連人士就國際重要議題共同合作。

## 香港會計師公會聯絡資料

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### First Complaint

Section 34(1)(a)(ix) of the Professional Accountants Ordinance ("PAO") applies to Leung and WB (by virtue of section 34(1AA)) in that they had refused or neglected to comply with the provisions of Rules 8 and 9 of Corporate Practice (Registration) Rules ("CPRR") for their failure to state (i) the name of the practising director responsible for the audit and his practising certificate number in the auditor's reports on the financial statements of New Centre and Inforich; and (ii) the name of the responsible practising director in the audit engagement letters of the Six Companies as mentioned in the Complainant's submission dated 26 May 2015.

### Second Complaint

Section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraphs 8, 9 and 11 of HKSA 230 Audit Documentation in respect of the audits of New Centre and Inforich.

### Third Complaint

Section 34 (1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe , maintain or otherwise apply a professional standard namely paragraphs 6 and 10 of HKSA 500 Audit Evidence in respect of the audits of New Centre and Inforich.

### Fourth Complaint

Section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe, maintain or otherwise apply professional standards namely section 440 of the Code of Ethics for Professional Accountants ("Code") in respect of the client acceptance procedures in relation to the Six Companies.

### Fifth Complaint

By reason of the above audit deficiencies, Leung and WB failed to exercise professional competency and due care in respect of the audit of New Centre and Inforich , in breach of section 130 of the Code. Therefore, section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34 (1AA)).

### Sixth Complaint

Section 34(1)(a)(viii) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have been guilty of professional misconduct as they had not comply with multiple professional standards and the Corporate Practice (Registration) Rules in respect of the audits of the Six Companies.

The Disciplinary Committee ORDERS that:-

- (1) the practising certificate issued to the 1<sup>st</sup> Respondent in 2016 be cancelled under section 35(1)(da) of the PAO and it shall take effect on the 40<sup>th</sup> day from the date of this order;
- (2) a practising certificate shall not be issued to the 1<sup>st</sup> Respondent for 3 months starting from the 40<sup>th</sup> day from the date of this order under section 35(1)(db) of the PAO;
- (3) the 2<sup>nd</sup> Respondent be reprimanded under section 35(1)(b) of the PAO; and
- (4) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$69,812.00 under section 35(1)(iii) of the PAO.

Dated the 31<sup>st</sup> day of December 2015.

IN THE MATTER OF

Complaints made under Section 34(1)(a) 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

Mr. Leung Kam Man Victor  
Membership No. F06233

FIRST  
RESPONDENT

WB CPA Limited  
Corporate Practice No. S447

SECOND  
RESPONDENT

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**ORDER**

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Dated the 31<sup>st</sup> day of December 2015



consideration of the Complaint for referral to the Disciplinary Panels were as follows:-

## **BACKGROUND**

- (1) On 22 February 2012, the Institute received allegations that WB had signed auditor's reports even though it had not performed any audit work on those engagements.
- (2) The audits concerned six companies, namely New Centre International Limited ("New Centre"), Inforich Development Limited ("Inforich"), Precise Management International (Hong Kong) Limited ("Precise"); Anyfine Industrial Limited ("Anyfine"), Sams Avtech International Limited ("Sams"), and Onst International Holdings Limited ("Onst") (collectively the "Six Companies").
- (3) WB is a corporate practice registered with the Institute. At the material time, there were three directors, one of which was Leung being the managing director (practising), and was responsible for the above-mentioned audits.
- (4) On 4 and 30 December 2013 the Institute received working papers from Leung in respect of the Six Companies and found that there were various deficiencies in the audit work.
- (5) On 3 March 2014, the Institute sent a summary of key findings based on its review of the working papers and representation provided by Leung and sought Leung's confirmation of the factual accuracy of the Institute's findings.
- (6) By a letter dated 15 March 2014, Leung confirmed the accuracy of all such findings ("Confirmation").
- (7) It was confirmed that WB issued auditor's reports on the financial statements of New Centre for the year ended 31 December 2011 ("2011 Financial Statements") and Inforich for the year ended 31 March 2012 ("2012 Financial Statements"). The auditor's reports for the other four companies had not been signed by WB.
- (8) The auditor's reports of New Centre and Inforich, dated 20 September 2012 and 7 October 2012 respectively, stated that the financial statements were prepared under the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") and that the audits were conducted in accordance with the Hong Kong Standards on Auditing ("HKSA").

### **3. The Complaints**

#### First Complaint

Section 34(1)(a)(ix) of the Professional Accountants Ordinance ("PAO") applies to Leung and WB (by virtue of section 34(1AA)) in that they had refused or neglected to

comply with the provisions of Rules 8 and 9 of Corporate Practice (Registration) Rules ("CPRR") for their failure to state (i) the name of the practising director responsible for the audit and his practising certificate number in the auditor's reports on the financial statements of New Centre and Inforich; and (ii) the name of the responsible practising director in the audit engagement letters of the Six Companies.

#### Second Complaint

Section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraphs 8, 9 and 11 of HKSA 230 Audit Documentation in respect of the audits of New Centre and Inforich.

#### Third Complaint

Section 34 (1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe , maintain or otherwise apply a professional standard namely paragraphs 6 and 10 of HKSA 500 Audit Evidence in respect of the audits of New Centre and Inforich.

#### Fourth Complaint

Section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have failed or neglected to observe, maintain or otherwise apply professional standards namely section 440 of the Code of Ethics for Professional Accountants ("Code") in respect of the client acceptance procedures in relation to the Six Companies.

#### Fifth Complaint

By reason of the above audit deficiencies, Leung and WB failed to exercise professional competency and due care in respect of the audit of New Centre and Inforich , in breach of section 130 of the Code. Therefore , section 34(1)(a)(vi) of the PAO applies to Leung and WB (by virtue of section 34 (1AA)).

#### Sixth Complaint

Section 34(1)(a)(viii) of the PAO applies to Leung and WB (by virtue of section 34(1AA)) in that they have been guilty of professional misconduct as they had not comply with multiple professional standards and the Corporate Practice (Registration) Rules in respect of the audits of the Six Companies.

4. As mentioned above, by a letter dated 15 March 2014 addressed to the Complainant, Leung, in his capacity as the Managing Director of WB, confirmed the facts and circumstances in support of all six complaints in the Confirmation.
5. In their letter dated 3 July 2015, Leung and WB admitted all six complaints and requested the acceptance of their apologies. On 7 August 2015, Leung and WB filed their Reply, in which, they made submissions in response to each complaint stating the reasons for the various deficiencies and irregularities in their work. Again, Leung and WB did not dispute the facts and background of

the six complaints. Essentially, Leung and WB admitted the liability of the first four complaints leaving only the Fifth and Sixth Complaints.

6. Leung and WB submitted that despite the admission of the four complaints, which were due to the negligence of their then newly recruited staff and the lack of supervision on their part, they had not failed to exercise professional competency and due care in their work. In particular, Leung and WB denied that they had committed any professional misconduct.
7. At the beginning of the hearing before the Disciplinary Committee (“DC”) on 23 November 2015, Leung and WB admitted their liability under the first five complaints leaving only the Sixth Complaint.
8. Leung and WB maintained that they had not committed any professional misconduct. They raised the following arguments:
  - (1) At the material time, WB had only been set up for a few months, and the deficiencies were due to negligence of their newly recruited staff and their previous manager;
  - (2) some of the deficiencies were not deliberate omissions and they had been put right afterwards including recruiting a competent accountant;
  - (3) WB had maintained their proper office guidelines and audit procedures but as a result of lack of supervision and poor management, deficiencies occurred;
  - (4) Poor management is not tantamount to professional misconduct; and
  - (5) No complaint had ever been received from the clients and no damage had been caused to the clients.
9. The DC also considered the oral submission made by the Complainant at the hearing, in particular, the follow facts:
  - (1) “Professional Conduct” has no fixed meaning. It generally means “fallen short of the standard expected among members of a profession”,
  - (2) Bad work and work of a poor standard can constitute professional misconduct if it is sufficiently serious that fellow professionals consider it to be inexcusable or deplorable.
  - (3) In this case, the deficiencies and substandard work occurred in a total of six companies involving both quality control as well as audit deficiencies;

- (4) In terms of quality control, a lot of deficiencies were results of more than mere oversight. Many of them were serious and fundamental defects;
  - (5) The audit deficiencies are numerous, serious and diverse; and
  - (6) All the above could only lead to a conclusion that the multiple breaches of various rules and regulations pointed towards a blatant and persistent failure on the part of Leung and WB to ensure their professional standards expected of a competent professional accountant. The test for professional misconduct has amply been met.
10. The DC having taken into account all the facts and the submissions made by the parties comes to the conclusion that the Sixth Complaint has been proved. As a result and on the admission of the two Respondents, the DC finds that all six complaints against the Respondents are established.
  11. In considering the proper order to be made in this case, the DC has had regard to all the aforesaid matters in particulars those contained in paragraphs 8 and 9 above as well as the submissions on sanction and cost.
  12. The Respondents' conduct throughout the proceedings i.e. their admission and cooperation have also been taken into consideration. The DC has also weighed the seriousness of this case and the necessity of a deterrent effect on sanction against the Respondents' show of remorse and their timely attempt to undergo remedial work.

The Disciplinary Committee ORDERS that:-

1. The practising certificate issued to the 1<sup>st</sup> Respondent in 2016 be cancelled under Section 35(1)(da) of the PAO and it shall take effect on the 40th day from the date of this Order.
2. A practising certificate shall not be issued to the 1<sup>st</sup> Respondent for 3 months starting from the 40<sup>th</sup> day from the date this order under section 35(1)(db) of the PAO;
3. the 2<sup>nd</sup> Respondent be reprimanded under Section 35(1)(b) of the PAO; and
4. the Respondents do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$69,812.00 under Section 35(1)(iii) of the PAO.

IN THE MATTER OF

Complaints made under Section 34(1)(a) 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

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AND

Mr. Leung Kam Man Victor  
Membership No. F06233

FIRST  
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WB CPA Limited  
Corporate Practice No. S447

SECOND  
RESPONDENT

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**REASONS FOR DECISION**

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Dated the 31<sup>st</sup> day of December 2015