



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 a certified public accountant (practising)**

(HONG KONG, 18 August 2016) — On 11 August 2016, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ng Kwong Sang (membership number F01025) and ordered cancellation of his practising certificate beginning 22 September 2016 with no issuance of a practising certificate to him for one year. In addition, Ng was ordered to pay a penalty of HK\$65,000 and costs of disciplinary proceedings of HK\$26,123.

Ng is the sole proprietor of K.S. Ng & Co. ("Practice") and is responsible for the Practice's quality control system. The Practice had been selected for practice review. The reviewer found that the Practice failed to establish, maintain and document an effective system of quality control in respect of monitoring. In addition, Ng was found to have provided false or misleading answers in the electronic self-assessment questionnaire which were submitted to the reviewer.

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

Ng admitted the complaint against him. The Disciplinary Committee found that Ng failed or neglected to observe, maintain or otherwise apply (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*"; and (ii) the fundamental principles of integrity and professional competence and due care under sections 100, 110 and 130 of the Code of Ethics for Professional Accountants.

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.

Under the ordinance, if Ng is aggrieved by the order, he may give notice of an appeal to the Court of Appeal within 30 days after he is 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 practising 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 40,000 members and more than 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作出紀律處分

(香港，二零一六年八月十八日) — 香港會計師公會轄下紀律委員會，於二零一六年八月十一日對吳廣生先生(會員編號：F01025)作出譴責，命令由二零一六年九月二十二日起吊銷吳先生的執業證書，並在一年內不給他另發執業證書。此外，吳先生須繳付罰款六萬五千港元及支付紀律程序費用二萬六千一百二十三港元。

吳先生是吳廣生會計師行的獨資經營者，並是會計師行的品質監控負責人。該會計師行獲挑選進行執業審核，審核人員在審核中發現會計師行未有就監控方面建立、保持及記錄一個有效的品質監控系統。此外，吳先生被發現在電子自我評估問卷中，向審核人員提供了錯誤或誤導的答案。

公會經考慮所得資料，根據《專業會計師條例》第34(1)(a)(vi)條對吳先生作出投訴。

吳先生承認投訴中的指控屬實。紀律委員會裁定吳先生沒有或忽略遵守、維持或以其他方式應用公會頒布的 (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"；和 (ii) Code of Ethics for Professional Accountants中第100條、110條及130條關於"Integrity"和"Professional Competence and Due Care"的條文。

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的命令。

根據《專業會計師條例》，如吳先生不服紀律委員會對他作出的命令，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 <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。

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## 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，會員人數超過四萬，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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IN THE MATTER OF

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

BETWEEN

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

AND

Ng Kwong Sang (F01025) RESPONDENT

Members: Miss LEE, Wai Yan, Susanna (Chairman)  
Mr. CHAN, Kin Man, Eddie  
Ms. DOE, Julianne Pearl  
Mr. FENN, David  
Miss LEUNG, Chi Ying, Kathy

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**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 the Respondent, who is a certified public accountant (practising). Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("PAO") applied to the Respondent.
- (2) The particulars of the complaints as set out in a letter from the Executive Director on behalf of the Complainant dated 5 February 2016 ("the Complaint") were as follows:-
  1. **Background**
    - 1.1 Mr. Ng Kwong Sang ("**Respondent**") is the sole practising partner of K.S. Ng & Co. (Firm no. 0630) (the "**Practice**"). He is responsible for the firm's quality control system.
    - 1.2 The Practice had been selected for its second practice review in May 2015 and its monitoring review was found to be ineffective and/or inadequate given both deficiencies identified in its quality control systems for the Practice and in those audit engagements selected for review.

- 1.3 The practice review findings show that there was no documentary evidence indicating that the Practice had undertaken a monitoring review which was contrary to the information submitted by the Practice in its 2014 practice review self-assessment questionnaire ("2014 EQS") (Appendix 2).
- 1.4 Based upon the practice review findings, the Institute wrote to the Practice inviting him to respond to the dated draft report. In its response to the Institute dated 22 July 2015 and 2 August 2015, the Practice undertook to implement improvements to address the deficiencies identified and agreed to carry out a monitoring review by the end of December 2015 (Appendix 3).
- 1.5 A copy of the Reviewer's Report outlining the practice review findings considered by the Practice Review Committee ("PRC"), which had been provided to the Respondent on 11 September 2015, is enclosed in Appendix 1.
- 1.6 The PRC considered that the Practice failed to observe and apply the monitoring requirements of HKSQC 1 and gave a false/misleading answer in the 2014 EQS (Appendix 4).

## 2. Relevant Professional Standards

- 2.1 Extract of the following relevant professional standards are included in Appendix 5:
  - (a) 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").
  - (b) Code of Ethics for Professional Accountants ("COE").

## 3. The Complaint

### *First Complaint*

- 3.1 Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("PAO") applies to the Respondent in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 17, 48 and 57 of HKSQC 1 as his Practice had not implemented adequate quality control policies and procedures and/or adequately documented the quality control policies and procedures in respect of monitoring.

### *Second Complaint*

- 3.2 Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 100.5(a) and 110.2 of the COE for providing materially false or misleading statements in respect of his Practice's monitoring review in the 2014 EQS.

### *Third Complaint*

- 3.3 Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 100.5(c) and 130.1 of the COE for failure to maintain professional knowledge of and/or diligently implement an adequate system of monitoring review in accordance with the requirements under HKSQC 1.

## **4. Facts and circumstances in support of the Complaint**

- 4.1 Prior to the practice review visit, the Practice submitted a completed 2014 EQS which sets out the following responses in respect of monitoring review:

Extract from EQS 2014 Summary	Practice's response
Was a monitoring review completed during the period from 1 April 2013 to 31 March 2014?	Yes
Please specify year and month of completion	2014
Please specify year and month of completion	1
Did the monitoring review include a review of implementation of firm-wide quality control policies and procedures?	Yes
Did the monitoring review include a review of completed audit engagement files?	Yes
Were the monitoring review procedures, results and follow up action plan documented?	Yes
Have the monitoring review findings been followed-up?	Yes
Which department(s) or organization(s) or individual is (are) responsible for carrying out the monitoring review?	Ng Kwong Sang, Sole Proprietor
When is the next planned monitoring review? [Please specify ... year and month]	2014
When is the next planned monitoring review? [Please specify ... year and month]	12

- 4.2 During the practice review, the reviewer found no evidence that the Practice had carried out a monitoring review during the period from 1 April 2013 up to the date of the practice review in May 2015.

## **5. Breach of HKSQC 1**

- 5.1 The Institute issued a letter to all practising members in April 2014 to draw attention to the PRC's expectation that all practice units should have appropriate quality control policies and procedures to meet the requirements under HKSQC 1 which includes monitoring.
- 5.2 Paragraph 48 of HKSQC 1 requires all practices to establish a monitoring process designed to provide the practices with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.
- 5.3 Paragraph 17 requires a practice to document its policies and procedures and communicate them to the firm's personnel. Further, paragraph 57 of HKSQC 1 provides that a practice shall establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.
- 5.4 In response to the reviewer's finding that no monitoring review had been carried out, the Respondent, in his letter dated 22 July 2015, claimed that the monitoring review process of the Practice have been communicated with its staff as the need arises but no documentation had been prepared.
- 5.5 The lack of documentation of the Practice's monitoring review policies and procedures is a non-compliance with HKSQC 1. Also, it shows that the monitoring review, if indeed had been undertaken, was not operating effectively as it did not provide a record of the monitoring procedures, results and follow up action based on which the Practice could assess whether the quality control requirements under HKSQC 1 were complied with.
- 5.6 This is apparent in the Reviewer's Report which indicated significant deficiencies in the Practice's quality control system that required remedial action to be undertaken in order to achieve full compliance with HKSQC 1. These deficiencies show that the Practice had failed to:
- Assess compliance of the ethical requirement on independence by the firm and its personnel.
  - Carry out adequate client acceptance and continuance procedures.
  - Carry out adequate procedures to ensure that audit engagements are performed in accordance with relevant professional standards. For example, in respect of the two selected audit engagements, the reviewer had doubts as to whether the Practice quality control system would enable it to have or obtain sufficient appropriate audit evidence to be able to draw reasonable conclusion on which to base its audit opinion on the relevant financial statements.



- 5.7 The above deficiencies should have been identified by the Practice had an effective monitoring review been carried out.
- 5.8 On this basis, the Practice is considered to have not complied with paragraphs 17, 48 and 57 of HKSQC 1.
- 6. Breach of paragraphs 100.5(a) and 110.2 of the COE**
- 6.1 Paragraphs 100.5(a) and 110.2 of the COE require a professional accountant to be straightforward and not knowingly be associated with information which contains materially false or misleading statements.
- 6.2 By answering "Yes" to indicate that the Practice had documented monitoring review procedures, results and follow up action plan when no such documentation had actually been prepared, this raised considerable doubts as to whether the Respondent had been straightforward and/or knowingly submitted materially false or misleading statements in the 2014 EQS.
- 7. Breach of paragraphs 100.5(c) and 130.1 of the COE**
- 7.1 Paragraphs 100.5(c) and 130.1 of the COE require a professional accountant to maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional services and act diligently in accordance with applicable technical and professional standards.
- 7.2 As the sole-proprietor, the Respondent is responsible for ensuring that the Practice establishes and maintains an adequate system of quality control and promotes an internal culture recognizing that quality is essential in performing engagements.
- 7.3 The Respondent's letter which stated that the Practice's monitoring review was a continuous process involving discussion with his staff as the need arises without documentation raised doubts on whether he understood the monitoring requirements under the HKSQC 1.
- 7.4 The Respondent's misunderstanding of the HKSQC 1 requirements demonstrated that he did not maintain professional knowledge and skill and/or diligently carry out monitoring review in accordance with HKSQC 1 in order to provide the Practice with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.
- (3) The Respondent admitted the Complaint against him. He did not dispute the facts as set out in the Complaint. He agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with.

- (4) By a letter dated 14 April 2016 addressed to the Complainant and the Respondent, the Clerk to the Disciplinary Committee ("DC"), under the direction of the DC, informed the parties that they should make written submissions to the DC as to the sanctions and costs and that the DC would not hold a hearing on sanctions and costs unless otherwise requested by the parties.
- (5) In considering the proper order to be made in this case, the DC has had regard to all the aforesaid matters, including the particulars in support of the Complaint. The DC found the First Complaint, Second Complaint and Third Complaint are proved.
- (6) The DC orders that:-
- 1) the Respondent be reprimanded under section 35(1)(b) of the PAO;
  - 2) the Respondent pay a penalty of HK\$65,000 under section 35(1)(c) of the PAO;
  - 3) the practising certificate issued to the Respondent in 2016 be cancelled effective from 42 days from the date hereof under section 35(1)(da) of the PAO;
  - 4) a practising certificate shall not be issued to the Respondent for one year effective from 42 days from the date hereof under section 35(1)(db) of the PAO; and
  - 5) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$26,123 under section 35(1)(iii) of the PAO.

Dated the 11th day of August 2016



false or misleading statements in respect of his Practice's monitoring review in the 2014 EQS.

3. Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he had failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 100.5(c) and 130.1 of the COE for failure to maintain professional knowledge of and/or diligently implement an adequate system of monitoring review in accordance with the requirements under HKSQC 1.

IT IS ORDERED that:-

1. the Respondent be reprimanded under section 35(1)(b) of the PAO;
2. the Respondent pay a penalty of HK\$65,000 under section 35(1)(c) of the PAO;
3. the practising certificate issued to the Respondent in 2016 be cancelled effective from 42 days from the date hereof under section 35(1)(da) of the PAO;
4. a practising certificate shall not be issued to the Respondent for one year effective from 42 days from the date hereof under section 35(1)(db) of the PAO; and
5. the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$26,123 under section 35(1)(iii) of the PAO.

Dated the 11th day of August 2016

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