



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

(HONG KONG, 31 January 2022) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Cheung Chun Bong, certified public accountant (practising) (A35716), on 23 December 2021 for his 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 Mr. Cheung's practising certificate, effective 3 February 2022, with no issuance of a practising certificate to him for 12 months. In addition, the Committee ordered Mr. Cheung to pay a penalty of HK\$100,000 and costs of the disciplinary proceedings of HK\$43,285.

Mr. Cheung practised in his own name and was responsible for his practice's quality control system and the quality of its audit engagements. An initial practice review identified a number of deficiencies in the quality control system and audit engagements. In addition, Mr. Cheung was found to have created audit working papers and a self-monitoring review report on the quality control system in response to the practice review notification.

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

Mr. Cheung admitted the complaints against him. The Disciplinary Committee found that Mr. Cheung was in breach of:

- (i) the fundamental principle of integrity in sections 100.5(a), 110.1 and 110.2 of the Code of Ethics for Professional Accountants;
- (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*;
- (iii) Hong Kong Standard on Auditing ("HKSA") 230 *Audit Documentation*; and
- (iv) HKSA 500 *Audit Evidence*.

The Committee found that Mr. Cheung's lack of integrity and competence to be serious, amounting to professional misconduct.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Mr. Cheung 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.

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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，二零二二年一月三十一日) 香港會計師公會轄下紀律委員會，於二零二一年十二月二十三日就執業會計師張振邦先生(會員編號：A35716)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，對他予以譴責。紀律委員會另命令由二零二二年二月三日起吊銷張先生的執業證書，並在 12 個月內不向其另發執業證書。此外，紀律委員會命令張先生須繳付罰款 100,000 港元及紀律程序費用 43,285 港元。

張先生以個人名義執業，並負責該事務所的品質監控系統及審計項目質素。公會對該事務所進行初次執業審核時，發現品質監控系統及多個審計項目中犯有多項缺失。此外，張先生為了回應執業審核，自行添加審計底稿及品質監控系統的自我監督報告。

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

張先生承認投訴指控屬實。紀律委員會裁定張先生違反：

- (i) Code of Ethics for Professional Accountants 第 100.5 (a)、110.1 及 110.2 條有關「Integrity」的基本原則；
- (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」；
- (iii) Hong Kong Standard on Auditing (「HKSA」) 230 「Audit Documentation」；及
- (iv) HKSA 500 「Audit Evidence」。

此外，紀律委員會認為張先生嚴重缺乏誠信及失職，故裁定張先生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)條向張先生作出上述命令。

## 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，確保會計師的人職質素，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)

BETWEEN

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

AND

Cheung Chun Bong (A35716)      **RESPONDENT**

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

Members:      Mr. Hui Cheuk Kit, Frederick (Chairman)  
                    Ms. Chan Wai Kam, Caroline  
                    Mr. Lam Wai Chin, Raymond  
                    Mr. Li, Peter Po-ting  
                    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 ("**PRC**") of the Hong Kong Institute of Certified Public Accountants (the "**Institute**") against Cheung Chun Bong, a certified public accountant ("**CPA**") (practising) (the "**Respondent**").
2. Sections 34(1)(a)(vi) and 34(1)(a)(viii) of the Professional Accountants Ordinance ("**PAO**") applied to the Respondent.
3. The particulars of the Complaint Letter from the PRC to the Registrar of the Institute dated 24 June 2021 are set out below.

## **BACKGROUND**

4. The Respondent was an own-name practitioner with no audit staff (the “**Practice**”). The Respondent was responsible for the Practice’s quality control system and the quality of its audit engagements.
5. Quality Assurance Department of the Institute (“**QAD**”) conducted a practice review on the Practice in September 2019. The practice review revealed that the audit quality of the Practice was poor which was illustrated below.
6. In order to assess the Practice’s audit approach, the practice reviewer (“**Reviewer**”) reviewed and assessed the Practice’s procedures, audit work and regulatory compliance by reviewing:
  - (a) the system of quality control of the Practice under HKSQC1; and
  - (b) two completed audit engagements: (i) Client A, a private entity, for the year ended 31 December 2018; and (ii) Client B, a private entity, for the year ended 31 March 2018.
7. Due to the deficiencies identified during the practice review, the Reviewer performed a high-level review on the following two audit engagements that were selected on the spot:
  - (a) Client HK for the year ended 31 March 2018; and
  - (b) Client HL for the year ended 31 December 2017.
8. The Reviewer found a number of deficiencies in the Practice’s quality control system and audit engagements during the practice review.
9. Furthermore, the Respondent admitted that the audit working papers for Client A and Client B were created after the audits were completed and the relevant file assembly periods expired, in response to the practice review notification.
10. The Reviewer’s Report was sent to the Practice on 9 January 2020 outlining the findings of the practice review.
11. Having considered the Reviewer’s findings and all available information, the PRC decided to raise a complaint against the Respondent for non-compliance with professional standards.

## **THE COMPLAINTS**

### Complaint 1

12. Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he failed or neglected to observe, maintain or otherwise apply the fundamental principle of integrity because the Respondent created audit documentation for the practice review, after the audits had been completed and the relevant file assembly periods had passed.

### Complaint 2

13. 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.

### Complaint 3

14. 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 in relation to the audit of Client A for the year ended 31 December 2018.

### Complaint 4

15. Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he failed or neglected to observe, maintain or otherwise apply professional standards in relation to the audit of Client B for the year ended 31 March 2018.

### Complaint 5

16. Section 34(1)(a)(viii) of the PAO applies to the Respondent because he is guilty of professional misconduct.

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

17. The fundamental principle of integrity under sections 100.5 (a), 110.1 and 110.2 of the Code of Ethics for Professional Accountants (“COE”) requires a professional accountant to be straightforward and shall not knowingly be associated with information which contains, omits or obscures information required to be included where such omission or obscurity would be misleading.

18. Paragraph 7 of Hong Kong Standard on Auditing (“HKSA”) 230 *Audit Documentation* requires that auditor shall prepare audit documentation on a timely basis and 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”) requires that a practice shall establish policies and procedures for engagement teams to complete the assembly of final engagement files within 60 days ordinarily after the engagement reports have been finalized.
19. During the Reviewer’s site visit, audits of four clients were reviewed. Although working papers were found in relation to Client A and Client B, the Reviewer found very few audit working papers in relation to Client HK and Client HL. The Respondent admitted that the audit working papers of Client A and Client B were created by him after the audit completion and the expiry of the relevant assembly periods, in reaction to the practice review.
20. By a written confirmation dated 25 September 2019, the Respondent confirmed in writing to the Reviewer that except for (1) the bank confirmation and cash certificate, (2) directors’ confirmations, (3) related party confirmations, (4) tax supporting documents and (5) letter of representations, the other audit working papers in respect of Client A were created by the Practice after the audit report date on 18 April 2019 and the expiry of the file assembly period in response to the practice review notification and the Respondent presented such papers to the Reviewer during the site visit. Pursuant to the same written confirmation, the Respondent also confirmed that except for (1) the bank confirmation, (2) director confirmations, (3) letter of representation, and (4) tax supporting documents, the other audit working papers regarding Client B were created by the Practice after the audit report date on 18 January 2019 and the expiry of the file assembly period in response to the practice review notification and the Respondent presented such documents to the Reviewer during the same site visit.
21. By a letter from the Respondent dated 9 December 2019, the Respondent admitted that the self-monitoring review report on the Practice’s quality control system was created in reaction to the practice review notification.
22. Therefore, the Respondent breached the fundamental principle of integrity in that he had knowingly prepared the audit programmes after the audits and presented the same to the Reviewer, in breach of sections 100.5(a), 110.1 and 110.2 of the COE.
23. As COE is a professional standard referred to in the PAO, section 34(1)(a)(vi) applies to the Respondent in this respect.



## FACTS AND CIRCUMSTANCE IN SUPPORT OF COMPLAINT 2

24. HKSQC 1 requires all firms of professional accountants to establish and maintain an adequate system of quality control which meets the requirements under the standard.

### *Audit methodology / Engagement performance*

25. Paragraph 32 of HKSQC 1 requires a practice to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards.
26. The Practice failed to comply with this requirement because so far as Client A and Client B are concerned, it was found that the Practice failed to carry out basic audit procedures in accordance with the following HKSA and HKSQC 1:
- 1) client and engagement acceptance/continuance, including independence assessment in accordance with paragraphs 26 to 28 of HKSQC 1 and HKSA 220 *Quality Control for an Audit of Financial Statements*;
  - 2) audit planning in accordance with HKSA 300 *Planning an Audit of Financial Statements*;
  - 3) fraud risk assessment in accordance with HKSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
  - 4) evaluation of internal controls over major business process, and risk assessment at the financial statements and assertion level in accordance with HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*;
  - 5) determination and application of the overall materiality, 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*;
  - 6) preliminary analytical review to identify risk areas and final analytical review in accordance with HKSA 520 *Analytical Procedures*;
  - 7) establish basis for determining sample size and selection of items for audit testing in accordance with HKSA 530 *Audit Sampling*;
  - 8) subsequent event review in accordance with HKSA 560 *Subsequent Events*; and
  - 9) going concern assessment in accordance with HKSA 570 *Going Concern*.

27. The Practice admitted that the shortcomings as stated in paragraph 26 above were found in all other audit engagements, which involved approximately 70 clients during the period.

*Lack of basic audit work*

28. In addition, the Reviewer found that the audit working papers of Client HK included only tax computation and filing documents and confirmation of director's emoluments, loans and other transactions. There was no evidence and documentation of any audit work performed on the material balances in the financial statements.
29. The Reviewer also found that the audit working papers of Client HL included only tax computation and filing documents, audit confirmation of an amount due to the sole director, confirmation of director's emoluments, loans and other transactions, and a bank confirmation request issued by Client HL and the confirmation issued by the bank on 2 November 2018. There was no evidence and documentation of any audit work performed on the material balances in the financial statements.
30. The Respondent admitted the audit deficiencies as stated under paragraphs 28 to 29 above.

*File assembly*

31. Paragraph 45 of HKSQC 1 requires a practice to establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized.
32. The Respondent admitted that there were insufficient file assembly procedures to ensure the 60-day file archiving rule was properly followed.

*Monitoring review*

33. Paragraph 48 of HKSQC 1 requires a practice to establish an effective monitoring process which should include an ongoing consideration and evaluation of the practice's system of quality control, including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner. The monitoring process shall be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility.
34. The Reviewer found that no monitoring review of completed audit engagements had been carried out in accordance with HKSQC 1 since the Practice commenced operations in January 2016. The Respondent admitted the aforesaid deficiency.

## *Training*

35. Paragraph 29 of HKSQC 1 requires a practice to establish policies and procedures for instance training designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities and commitment to ethical principles to perform engagements in accordance with professional standards.
36. The Respondent's CPD record showed that he had gained 6 verifiable CPD hours between 1 December 2016 and the practice review date, which was far from sufficient to meet the minimum CPD requirements. The Respondent admitted the aforesaid deficiency.
37. In view of the number of deficiencies identified in the practice review, the Respondent did not comply with the requirements under HKSQC 1.
38. As HKSQC 1 is a professional standard under the PAO, section 34(1)(a)(vi) applies to the Respondent.

## **FACTS AND CIRCUMSTANCE IN SUPPORT OF COMPLAINT 3**

39. The Reviewer found a number of breaches of HKSA's in the Practice's audit of Client A which was in the business of trading chemical products on indent basis.

### *Sales and Purchases*

40. As per the Respondent, inventories were directly shipped from the suppliers to the customers and therefore Client A did not keep any inventory. When the Respondent performed the transaction and cut-off tests, there was no evidence showing that the Respondent had checked the delivery terms and the supporting documents, for instance the shipping documents to confirm (i) the indent nature of the business and the nil balance of inventory at year end, and (ii) proper cut off of the transactions.

### *Amount Due from a Director*

41. There was no evidence showing that the Respondent had performed any audit work to assess the recoverability of an amount due from a director of HK\$11.6 million.

### *Bank Balances*

42. The bank confirmation in respect of a bank balance of HK\$15.8 million was dated 21 August 2019, four months after the audit report date of 18 April 2019. The Respondent contended that he had checked bank statements as an alternative procedure to support his audit conclusion.

43. However, the Respondent failed to carry out other audit procedures such as review of the minutes of the company and search for unrecorded liabilities, the alternative procedure in checking the bank statements would be insufficient to ascertain the completeness of the liabilities incurred by the company, including financial guarantees provided to other parties.
44. In respect of a bank account maintained by Client A with nil balance, the Respondent did not obtain any evidence in explaining the nil balance.
45. The Respondent admitted the above-mentioned audit deficiencies in relation to Client A. Therefore, the Respondent failed to, as required under paragraph 6 of HKSA 500 *Audit Evidence*, design and perform audit procedures and obtain sufficient appropriate audit evidence to substantiate the auditor's opinion expressed for Client A.
46. As HKSA 500 is a professional standard referred to in the PAO, section 34(1)(a)(vi) applies to the Respondent.

#### **FACTS AND CIRCUMSTANCE IN SUPPORT OF COMPLAINT 4**

47. The Reviewer discovered a number of breaches of HKSAs in the Practice's audit of Client B, which was in the business of providing logistics services.

##### *Service Income Transaction Test*

48. The audit working papers which were mentioned under Complaint 1 above showed that the Respondent had checked the October and November sales amount against the relevant sales invoices. Sales invoices were evidence generated internally, and there was no evidence showing that the Respondent had checked the service income against third party evidence such as customers' acknowledgment of services to verify the existence of the sales transactions.

##### *Recoverability of Trade Receivables*

49. The Respondent did not perform any audit work to assess the recoverability of the material trade receivable balances totaling HK\$946,529.
50. Therefore, the Respondent failed to design and perform audit procedures and obtain sufficient appropriate audit evidence to substantiate the auditor's opinion expressed for Client B, in accordance with paragraph 6 of HKSA 500.

##### *Insufficient Audit Documentation*

51. The documentation of audit work created in relation to tests of subcontracting fees, other income, trade and other receivables and trade payables was limited to "checked to invoices".

52. There was insufficient evidence which showed sample size determined with reference to the Respondent's assessment of account materiality, population values and audit risks identified, in accordance with paragraphs 8 and 9 of HKSA 230.
53. The Respondent admitted the above audit deficiencies in relation to Client B.
54. As HKSA 500 and HKSA 230 are professional standards referred to in the PAO, section 34(1)(a)(vi) applies to the Respondent in this respect.

#### **FACTS AND CIRCUMSTANCE IN SUPPORT OF COMPLAINT 5**

55. The Respondent was found to have acted contrary to the fundamental principle of integrity because he had created audit working papers in reaction to the practice review notification and presented them to the Reviewer, as illustrated under Complaint 1.
56. Furthermore, the multiple and repeated deficiencies identified in the Practice's quality control system and audit engagements as illustrated under Complaints 2 to 4 showcased that the Respondent failed to uphold the fundamental principle of professional competence and due care to ensure that his professional work was conducted in accordance with professional standards. As shown from the Reviewer's Report, the Respondent did not dispute the findings made against him.
57. Such blatant disregard by the Respondent to comply with professional standards as illustrated under Complaints 1 to 4 amounts to professional misconduct under section 34(1)(a)(viii) of the PAO.

#### **THE PROCEEDINGS**

58. By letter signed by the parties dated 17 August 2021, 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.
59. 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 by 30 September 2021, pursuant to the Procedural Timetable issued on 2 September 2021. Neither the Complainant nor the Respondent requested for a hearing.
60. The Complaints were all found proven on the basis of the admission made by the Respondent.

61. The Complainant filed its submission on sanctions on 30 September 2021.
62. The Respondent's submission on sanctions was received on 28 September 2021, admitting all the Complaints and indicating that he had no objections to the sanctions and costs to be imposed on him by the Disciplinary Committee.

## **CONSIDERATIONS**

63. 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 Complaints, the Respondent's personal circumstances, the parties' respective submissions on sanctions, and the parties' respective conduct throughout the proceedings.
64. The Disciplinary Committee has also carefully considered the mitigation by the Respondent and has accepted most of the plea in his mitigation in considering the proper order to be made.
65. The Disciplinary Committee is of the view that the present Complaints are serious in nature, and therefore a deterrent penalty is warranted.
66. Nevertheless, the Disciplinary Committee acknowledges the Respondent's admission to all complaints against him, thereby obviating the need for a full hearing. This has saved considerable time and costs, and the Disciplinary Committee has taken such admission into consideration regarding any abatement on penalty to be made.

## **SANCTIONS AND COSTS**

67. The Disciplinary Committee orders that:-
  - 1) the Respondent be reprimanded under section 35(1)(b) of the PAO;
  - 2) the practicing certificate issued to the Respondent be cancelled with effect from 42 days from the date hereof under section 35(1)(da) of the PAO;
  - 3) a practicing certificate shall not be issued to the Respondent for 12 months with effect from 42 days from the date hereof under section 35(1)(db) of the PAO;
  - 4) the Respondent do pay a penalty of HK\$100,000 under section 35(1)(c) of the PAO; and

- 5) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant and that of the Clerk in full totaling HK\$43,285 under section 35(1)(iii) of the PAO.

Dated: 23rd day of December 2021

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Mr. Hui Cheuk Kit  
Chairman

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Ms. Chan Wai Kam, Caroline  
Member

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Mr. Li, Peter Po-ting  
Member

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Mr. Lam Wai Chin, Raymond  
Member

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Mr. Woo King Hang  
Member