



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

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

(HONG KONG, 30 July 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Wong Yuk Ming, Aaron, certified public accountant (practising) (F05340) on 21 June 2019 for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the cancellation of his practising certificate with no issuance of a practising certificate to him for 18 months with effect from 2 August 2019. In addition, Wong was ordered to pay a penalty of HK\$50,000 and costs of disciplinary proceedings of HK\$47,642.

Wong was the sole proprietor of Aaron Wong & Co. and was responsible for the firm's audit engagements and quality control system. The firm was selected by the Institute for its first practice review in August 2017.

The practice review revealed significant deficiencies in the firm's quality control system as well as Wong's professional competence and integrity. Wong was found to have furnished answers in an "Audit Health Screening Checklist" either falsely or recklessly, and created working papers which misled the reviewers and rendered the practice review process ineffective. In addition, Wong failed to ensure the firm had maintained an adequate quality control system for engagement performance, independence and acceptance and continuance of client relationships. Findings of insufficient audit evidence in one audit engagement and Wong's flawed concept about audit documentation raised serious questions as to whether he had carried out his work with professional competence and due care.

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

Wong admitted the complaints against him. The Disciplinary Committee found that Wong was in breach of the fundamental principle of integrity in sections 100.5(a) and 110.1 of the Code of Ethics for Professional Accountants, and the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code. Further, the Committee found Wong to have breached 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*. In view of the severity of the non-compliances, the Committee also found Wong guilty of professional misconduct.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Wong under section 35(1) of the Ordinance. The Committee noted that Wong's conduct raises serious doubts about his integrity, and demonstrates a blatant and intentional disregard of the Institute's ethical and professional requirements. They added that the manner in which he conducted the audit engagements could undermine public confidence in the standards of the profession and damage its reputation.

#### 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 44,000 members and 17,100 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，二零一九年七月三十日) 香港會計師公會轄下紀律委員會，於二零一九年六月二十一日就執業會計師黃煜明先生(會員編號：F05340)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，並命令由二零一九年八月二日起吊銷黃先生的執業證書及在 18 個月內不向其另發執業證書。此外，黃先生須繳付罰款 50,000 港元和紀律程序費用 47,642 港元。

黃先生是黃煜明會計師事務所的獨資經營者，負責事務所的審計項目質素及品質監控系統。事務所在二零一七年八月被公會挑選進行初次執業審核。

執業審核顯示事務所的品質監控系統及黃先生的專業能力和誠信均有重大缺失。黃先生被發現在「Audit Health Screening Checklist」問卷中提交虛假或罔顧後果的回覆，並添加工作底稿以誤導審核人員，令執業審核程序不能有效進行。此外，黃先生沒有確保其事務所在履行項目、確保獨立、應聘和延續客戶關係等方面維持完備的品質監控系統。執業審核發現黃先生在一審計項目的審計證據不足，以及其對審計底稿的錯誤觀念，均令人質疑其是否具專業能力及適當審慎地履行職責。

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)條對黃先生作出投訴。

黃先生承認投訴中的指控屬實。紀律委員會裁定黃先生違反了 Code of Ethics for Professional Accountants 中第 100.5(a)條及 110.1 條有關「Integrity」的基本原則，以及第 100.5(c)條及 130.1 條有關「Professional Competence and Due Care」的基本原則。委員會同時裁定黃先生違反了 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」。由於違規嚴重，委員會亦因此裁定黃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)條向黃先生作出上述命令。委員會注意到黃先生的行為令人嚴重懷疑其誠信，並公然及故意無視公會的操守及專業規定。委員會同時認為黃先生執行審計工作的方式可損害公眾對會計專業水平的信心及行業的聲譽。

### 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 44,000 名，學生人數逾 17,100。

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。

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2. On 3 September 2018, the Complainant submitted a complaint (“**the Complaint**”) to the Registrar of the Institute on the basis that the Respondent failed or neglected to observe, maintain or otherwise apply professional standards under section 34(1)(a)(vi) of the Professional Accountants Ordinance (“**PAO**”), and he was guilty of professional misconduct under section 34(1)(a)(viii) of the PAO .
3. Upon the Respondent’s admission of the Complaint, the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules were dispensed with and the parties were asked to make written submissions on sanctions and costs.
4. On 2 April 2019 and 3 April 2019, the Respondent and the Complainant made their respective submissions on sanctions and costs.

## **Background**

5. The Respondent is the sole proprietor of Aaron Wong & Co. (Firm no.: 1807) (the “**Practice**”). The Practice did not have any audit staff and was subject to a practice review in August 2017. The Reviewer’s Report was issued on 10 January 2018 following submissions received from the Practice commenting on the Dated Draft Report<sup>1</sup>. The Respondent was not previously subject to a practice review.
6. During an 18-month period between January 2016 and June 2017, the Practice had issued audit reports to approximately 110 audit clients; none of which were listed or regulated entities.
7. The Respondent, who has issued the auditor’s reports in the name of the Practice, was responsible for the Practice’s quality control system and the quality of audit engagements.

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<sup>1</sup> The Practice submitted three written responses dated 27 November 2017, 4 December 2017, and 5 December 2017 respectively, which set out/enclosed: (1) information on work performed on all engagements selected by the practice reviewer; (2) proposed follow-up actions to address the practice review findings; (3) a resource plan of the Practice; and (4) a set of working papers of the subsequent audit of Client SB to demonstrate how some follow-up actions had been taken.

8. During the practice review, the reviewer identified significant deficiencies in the Practice's quality control system and found evidence which raised serious doubts on the Respondent's professional competence and integrity.

## **The Complaints**

### Complaint 1

9. 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, namely sections 100.5(a) and 110.1 of the *Code of Ethics for Professional Accountants* (the "**Code**") for his failure to comply with the fundamental principle of integrity during the practice and monitoring reviews.

### Complaint 2

10. Section 34(1)(a)(vi) of the PAO applies to the Respondent in that, as the sole practitioner of the Practice, he failed or neglected to observe, maintain or otherwise apply a professional standard, namely HKSQC 1<sup>2</sup>, for failure to maintain an adequate quality control system in the Practice.

### Complaint 3

11. 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, namely sections 100.5(c) and 130.1 of the Code for his failure to maintain professional knowledge and skill at a level required to ensure that his clients would receive competent professional services and to act in accordance with applicable professional standards.

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<sup>2</sup> 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*



## Complaint 4

12. Section 34(1)(a)(viii) of the PAO applies to the Respondent in that the non-compliances identified in the Reviewers' Report amounted to professional misconduct.

### **Facts and Circumstances in support of Complaint 1**

13. Prior to the practice review, the Respondent was required to provide the practice reviewer a completed "Audit Health Screening Checklist" ("**Checklist**") which included questions relating to his Practice's audit methodology. The Respondent answered "Yes" to have performed and documented, for all engagements, procedures in accordance with the relevant auditing standards including, inter alia, the development of an audit plan and strategy (HKSA<sup>3</sup> 300), understanding of client business and key controls (HKSA 315), fraud risk assessment (HKSA 240), and analytical procedures (HKSA 520).
14. Approximately seven working days before the practice review site visit, the Respondent was informed that two engagements, Clients EJ and GS, had been selected for review. The working papers provided included audit documentation for these engagements in relation to the procedures stated under the Checklist.
15. However, when the reviewers spot checked six other engagements, they found that there was no documentation to show any of the procedures under the Checklist had been performed.
16. The Respondent admitted that he had prepared the working papers of Clients EJ and GS for the practice review as well as the external monitoring review which was carried out prior to the practice review<sup>4</sup>.
17. The Respondent's actions of creating the working papers would mislead the monitor and the practice reviewers and render the practice and monitoring review process ineffective.

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<sup>3</sup> Hong Kong Standard on Auditing

<sup>4</sup> Under HKSQC 1, all practices are required to carry out a monitoring review of at least one engagement on cyclical basis.

18. Further, the answers on documentation provided under the Checklist were clearly untrue. By answering “Yes” to have documented the procedures in the Checklist, the Respondent had either furnished answers in the Checklist falsely or recklessly.
19. On the above basis, the Respondent had not been straightforward and honest during the practice and monitoring reviews, in breach of the fundamental principle of integrity under sections 100.5(a) and 110.1 of the Code.

### **Facts and Circumstances in support of Complaint 2**

20. The reviewers found that the Practice failed to comply with HKSQC 1 for its failure to maintain an adequate quality control system in respect of (a) engagement performance; (b) independence; and (c) acceptance and continuance of client relationships.
21. The Respondent admitted to the practice review’s findings as below.
  - (a) *Engagement performance*
22. Paragraph 32 of HKSQC 1 requires a practice to establish policies and procedures to provide it with reasonable assurance that engagements are performed in accordance with professional standards and that the practice issues reports that are appropriate in the circumstances.
23. As mentioned above, the reviewer spot checked **six engagements (Clients CP, SB, NB, RT, NC and TC)** during the review. It was uncovered that the following procedures required under the auditing standards, had not been performed on those engagements:
  - (1) consideration of independence threats arising from the provision of (i) accounting and company secretarial services by a service company owned and managed by the Respondent; and (ii) tax compliance services provided by the Practice;
  - (2) client continuance procedures;
  - (3) development of an audit plan and strategy;
  - (4) understanding of client business, including evaluation of design and implementation of key controls;
  - (5) fraud risk assessment and journal entries test;

- (6) calculation and application of materiality, performance materiality and a clearly trivial amount;
  - (7) preliminary and final analytical reviews;
  - (8) search for unrecorded liabilities;
  - (9) sample size determination; and
  - (10) arrangement for bank confirmation and director's emolument confirmation requests.
24. The review also identified significant deficiencies indicating that virtually no audit work had been performed on a number of key accounts such as sales, cost of sales, and expenses in these audit engagements.
25. Based on the above, there was no evidence that the Practice performed audits in accordance with professional standards, and that its auditor's reports issued were appropriate in the circumstances.
26. The Respondent claimed that he had done the audit work but failed to prepare adequate documentation. Failure to prepare adequate audit documentation as required under HKSA 230 is a serious quality control deficiency. Without documentation, there was no record to support that the Practice had obtained sufficient appropriate audit evidence as required under HKSA 500 to support the audit opinions issued on the six engagements.
27. As such, the Respondent failed to comply with paragraph 32 of HKSQC 1 to ensure that the Practice had implemented adequate quality control policies and procedures in respect of engagement performance.
28. Further, the Respondent also admitted that the Practice had no procedures in place to ensure audit files were assembled within 60 days of the audit report date, as required under paragraphs 45 and A54 of HKSQC 1.

*(b) Independence*

29. Paragraphs 21 and 22 of HKSQC 1 state the relevant independence requirements which should enable the practice to identify and evaluate circumstances and relationships which create threats to independence, and take appropriate action such as applying appropriate safeguards to eliminate or reduce those threats to an acceptable level.
30. Based on the review of the six engagements spot checked by the practice reviewer, there was no evidence that independence threats had been considered in these engagements. As such, the Practice did not comply with paragraphs 21 and 22 of HKSQC 1 for its failure to properly identify and evaluate, and apply appropriate safeguards when necessary, in relation to the threats to independence; which the Respondent did not deny.

*(c) Acceptance and continuance of client relationships*

31. Paragraph 26(b) of HKSQC 1 states that a practice should have policies and procedures in place to provide it with reasonable assurance that it would only undertake or continue engagements where the practice could comply with relevant ethical requirements (e.g. independence).
32. The engagements spot checked by the practice reviewer also did not show evidence of any continuance procedures being performed. As such, the Practice did not comply with paragraph 26 of HKSQC 1, which was also admitted by the Respondent.

**Facts and Circumstances in support of Complaint 3**

33. In its submissions to the Institute in December 2017, the Respondent provided a set of working papers in relation to a subsequent audit of Client SB for the year ended 31 March 2017 (“**Client SB WP**”) to demonstrate how the Practice had implemented some of its follow-up actions.

### *Audit Evidence*

34. Having reviewed the Client SB WP, the reviewer found that the Practice failed to perform adequate work to ascertain that Client SB's revenues were properly recognized.
35. According to the working papers, Client SB prepared its financial statements under SME-FRS<sup>5</sup>. In relation to revenue recognition concerning rendering of services, paragraph 11.3 of SME-FRS states that "revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the end of the reporting period".
36. Client SB operated a beauty centre. It is common practice for beauty centres to accept advance payments from customers for a course of treatments.
37. The Practice merely tested some receipts and bank statements in three selected months; without checking details of the customers' payments, nor ascertaining whether the receipts were in relation to Client SB's provision of beauty services which revenue could be recognized, or simply advance payments from its customers.
38. The Practice failed to recognize that its testing, which essentially was a receipts testing, was inadequate to ascertain whether Client SB had satisfied the revenue recognition principle in accordance with SME-FRS, i.e. whether the provision of services had been completed to render revenue recognition; and if so, whether the revenue had been accounted for in the correct period. Therefore, it did not obtain reasonable assurance on the revenues recognized by Client SB.
39. As such, the auditor's report for Client SB for 2017 was issued without sufficient appropriate audit evidence to support the audit opinion.

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<sup>5</sup> Small and Medium-sized Entity Financial Reporting Standard

### *Audit documentation*

40. The Respondent's conduct as identified in the practice review reveals his flawed concept about audit documentation. His initial response to the deficiency that he considered it unnecessary to prepare working papers since all the audit procedures were performed by himself as the Practice had no audit staff, was later changed to that he considered it "unnecessary for a one-man band to attend to every areas twice although a final review is required to be done".
41. The Respondent still did not seem to grasp the basic concept and the critical significance of audit documentation.

### *Professional competence and due care*

42. The above findings raise serious doubt on the Respondent's professional competence and due care to ensure that his Practice upholds audit quality:
  - (1) the Practice had a significantly deficient quality control system (as explained in Complaint 2);
  - (2) a subsequent audit file provided by the Respondent to demonstrate how the Practice had implemented some of its follow-up actions indicated further deficiencies; and
  - (3) the Respondent's submissions show a lack of understanding of the basic concept of audit documentation.
43. These deficiencies reflect the Respondent's inability to ensure his clients received competent professional services by maintaining adequate professional knowledge and skill. As such, the Respondent failed to comply with the fundamental principle of professional competence and due care in accordance with sections 100.5(c) and 130.1 of the Code.

### **Facts and Circumstances in support of Complaint 4**

44. The conduct of preparing working papers in reaction to practice or monitoring reviews, and providing false information to the Institute, which casted serious doubt on the Respondent's integrity (Complaint 1), was unprofessional and unacceptable.

45. The facts and circumstances in support of Complaint 2 revealed that the Respondent failed to ensure that his Practice had an acceptable quality control system to ensure its audit quality.
46. Further, the findings also pointed to the serious lack of professional competence and due care on the part of the Respondent as explained in Complaint 3.
47. The severity of the non-compliances as explained above amounts to serious professional misconduct.

### **The Parties' Submissions on Sanctions and Costs**

48. The Complainant submits that nature and severity of these failures demonstrate a serious neglect by the Respondent to comply with the Institute's ethical requirements and professional standards. Even though the Respondent had made early admission of liability, it should not diminish the seriousness of the case. In the premises, the Complainant considers that the appropriate sanctions should be a cancellation of the Respondent's practising certificate and an order that it should not be issued to the Respondent for at least 2 years. In addition and regarding the Respondent's lack of integrity, the Complainant considers it appropriate to remove the Respondent from the register for at least 18 months.
49. The Respondent does not dispute any of the facts and circumstances in support of the complaints. However, he argues that the Practice is his family major source of income and he took the earliest opportunity to admit the Complaint, he submits that a reprimand and a fine of HK\$50,000 to HK\$60,000 is appropriate. He is willing to pay the costs of the Complainant and these proceedings.

### **Decision**

50. In considering the appropriate sanctions, the Disciplinary Committee needs to first determine the severity of the complaints. Parts 5.2 and 5.3 of the Guideline to Disciplinary Committee for Determining Disciplinary Orders ("**the Guideline**") set out the considerations that

are aimed to assist the Disciplinary Committee in determining the seriousness of the breach. For example:

- (1) Nature and circumstances of the breach, such as:
  - (a) nature of failure and/or offence
  - (b) relative significance of the standard or regulation breached
  - (c) whether the breach could undermine confidence in the standards of the profession
  - (d) whether the breach involved ethical issues
  - (e) whether the breach may damage the reputation of the profession
  - (f) whether the breach was isolated or recurring.
- (2) Conduct of the respondent, e.g. whether the offence committed was intentional or deliberate, or occurred as a result of carelessness or recklessness.
- (3) The seriousness of the offences could be increased by, e.g. recklessness or blatant disregard for regulatory requirements or principles, nature and impact of the breach, and/or detrimental effect on reputation of and confidence in the profession.

51. The Disciplinary Committee agrees with the Complainant that **it is alarming for the Respondent to document his audit work only after completion of the audit and for the purpose of the practice and monitoring review.** Quite clearly, the Respondent's subsequent creation of working papers and misleading answers in the Checklist were designed to affect the practice reviewer's assessment on his Practice and it was a calculated scheme on his part to mislead. The Committee takes the view that the Respondent's conduct raises serious doubts over his integrity and it demonstrates a blatant and intentional disregard for the Institute's ethical and professional requirements. The sloppy and irresponsible manner in which the Respondent handled his clients' audit engagements could undermine public's confidence in the standards of the profession and damage the profession's reputation.



52. Whilst we note the Respondent's early admission of the Complaint which led to the saving of costs, the Respondent has not suggested any steps that have been taken to ensure that the Practice has an effective quality control system and that similar breaches will not occur in the future.
53. Having considered all the relevant facts of the Complaint and the parties' submissions, the Committee considers that the Respondent should be reprimanded and pay a financial penalty of HK\$50,000. The Respondent's practising certificate shall be cancelled and it should not be issued to the Respondent for a period of 18 months.
54. As for costs, we consider that the total sum of HK\$47,642 is reasonable and the Respondent should pay such costs to the Complainant.
55. The Disciplinary Committee makes the following order:
- (1) The Respondent be reprimanded under section 35(1)(b) of the PAO;
  - (2) The Respondent do pay a penalty of HK\$50,000 pursuant to section 35(1)(c) of the PAO;
  - (3) The practising certificate issued to the Respondent in 2019 be cancelled with effect 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 18 months with effect from 42 days from the date hereof under section 35(1)(db) of the PAO;
  - (5) 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\$47,642 under section 35(1)(iii) of the PAO.

Dated the 21st day of June 2019.

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Ms. LAU Shing Yan  
Chairman

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Ms. CHAN Chui Bik, Cindy  
Member

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Miss YEUNG Kit Kam, Lesley  
Member

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Mr. FENN David  
Member

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Mr. CHEUNG Yat Ming  
Member