



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

(HONG KONG, 20 May 2022) On 28 December 2018, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Ng Kwok Ching, Jeremy, certified public accountant (practising) (A00976), and ordered cancellation of his practising certificate with no issuance of a practising certificate to him for 12 months. In addition, Ng was ordered to pay a penalty of HK\$50,000 and costs of disciplinary proceedings of HK\$55,000.

Ng appealed the Disciplinary Committee's decision. Following the Court of Appeal's dismissal of the appeal in April 2022, the practising certificate of Ng was cancelled with effect from 18 May 2022.

Ng is the sole proprietor of Jeremy Ng & Company (formerly known as Tang & Ng), a CPA firm. He is responsible for the firm's quality control system and the quality of its audit engagements. The Institute's follow-up practice review visit to the firm in 2016 found that a number of deficiencies noted in the initial practice review remained uncorrected, and the audit work performed on the sole client in the relevant period fell below the standard expected. The audit deficiencies related to obtaining evidence for a number of material items in the financial statements, obtaining management's representation letter, and preparing documentation.

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

The Disciplinary Committee found that Ng failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing ("HKSA") 500 *Audit Evidence* and HKSA 230 *Audit Documentation*.

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. The Disciplinary Committee noted that the breaches were serious in view of Ng's failure to address the audit deficiencies found in the initial practice review, his lack of understanding at the level of competence expected of a professional accountant and the questionable accuracy of the audited financial statements.

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 46,000 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，二零二二年五月二十日) 香港會計師公會轄下紀律委員會，於二零一八年十二月二十八日對執業會計師伍國楨先生(會員編號：A00976)作出譴責，命令吊銷伍先生的執業證書，並在 12 個月內不向其另發執業證書。此外，伍先生須繳付罰款 50,000 港元及紀律程序費用 55,000 港元。

伍先生就紀律委員會的裁決提出上訴。上訴法庭於二零二二年四月駁回伍先生的上訴後，公會由二零二二年五月十八日起吊銷伍先生的執業證書。

伍先生是六韜會計師事務所(前稱伍國楨鄧敬雄會計師事務所)的獨資經營者，負責該事務所的品質監控系統及審計項目的質素。公會在二零一六年對該事務所進行執業審核的跟進中，發現多項於初次執業審核時發現的缺失仍未改正，而事務所於相關期間對其唯一客戶進行審計工作的質素低於應有標準。相關缺失關乎財務報表內若干重大項目的憑證搜集、取得管理層聲明書及編備記錄。

公會經考慮所得資料後，根據香港法例第 50 章《專業會計師條例》第 34(1)(a)(vi)條對伍先生作出投訴。

紀律委員會裁定伍先生沒有或忽略遵守、維持或以其他方式應用 Hong Kong Standard on Auditing (「HKSA」) 500 「Audit Evidence」及 HKSA 230 「Audit Documentation」。

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)條向伍先生作出上述命令。紀律委員會認為上述屬嚴重違規，原因是伍先生沒有處理初次執業審核發現的缺失、他對作為專業會計師應履行的職能欠缺理解，而該等經審核財務報表的準確性亦成疑。

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 46,000 名，學生人數逾 17,000。

公會開辦專業資格課程，確保會計師的入職質素，同時頒佈財務報告、審計及專業操守的準則，以鞏固香港作為國際金融中心的領導地位。

CPA 會計師是一個獲國際認可的頂尖專業資格。公會是全球會計聯盟及國際會計師聯合會的成員之一，積極推動國際專業發展。

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IN THE MATTER OF

A Complaint made under Section 34(1) of the Professional Accountants Ordinance (Cap.50) (“the PAO”) and referred to the Disciplinary Committee under Section 33(3) of the PAO

BETWEEN

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

AND

Ng Kwok Ching, Jeremy RESPONDENT
(Membership no.: A00976)

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

Members: Mr. Kwong Chi Ho Cecil (Chairman)
Mr. Kan Siu Lun
Ms. Lee Wai Fun
Mr. Chan Kin Man Eddie
Mr. Tang Kwai Chang Alfred

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Practice Review Committee of the Hong Kong Institute of Certified Public Accountants (the “**Institute**”) against Ng Kwok Ching, Jeremy (the “**Respondent**”).

Background

2. The Respondent is a sole proprietor of Jeremy Ng & Company (formerly known as Tang & Ng) (Firm no. 0612) (the “**Practice**”). He is responsible for the Practice’s quality control system and the quality of its audit engagements.
3. The Practice did not employ any staff. It had engaged a subcontractor to perform its audit work.

4. The Practice had been selected for an initial practice review in December 2012 and significant findings in relation to its quality control system, audit methodology and audit engagements were identified. As a result, the Practice Review Committee (“PRC”) directed the Practice to perform certain follow up actions to address the findings.
5. The Practice did not carry out the follow up actions as directed by the PRC but subsequently advised that the Practice would cease to exist after its registration expired at the end of 2013. However, the Practice renewed its registration in 2014.
6. The PRC noted the above issue at its meeting in May 2014 and concluded that the Practice would be subjected to a follow up visit in November 2014 and should carry out specific actions to address the findings identified in the initial practice review before the visit.
7. The plan to conduct the follow up visit was deferred to February 2015 as the Practice advised that the Respondent was involved in some court cases. In January 2015, the Respondent requested a further postponement due to the same reason. The Practice subsequently submitted a “Declaration of Non-engagement in the Practice of Public Accounting” (“Declaration”) dated 16 February 2015 to the Institute confirming to the effect that:
 - (a) No assurance report, e.g. audit report, had been issued in the name of the Practice since the initial practice review in December 2012;
 - (b) The Respondent did not intend to engage in audit engagements in the next twelve months after the date of the Declaration; and
 - (c) The Respondent would notify the Institute’s Quality Assurance Department (“QAD”) in writing within 1 month if he commences audit engagements in future.
8. As a result of the above, a PRC decision letter dated 27 March 2015 was issued to the Respondent requesting him to inform the QAD once the Practice started again to provide audit services and in the interim, to report to the QAD on a half-yearly basis starting from 30 September 2015.
9. In September 2015, in response to QAD’s reminder, the Respondent informed the QAD that his Practice had performed an audit on a private entity, namely Lam Seng Hang Limited, for the year ended 31 December 2014 (“Client L”). In view that the Practice started again to provide audit services, a follow up visit was resumed and scheduled to be conducted in February 2016.

10. During the follow up visit, the Practice had only one engagement, Client L. Therefore, the practice reviewer (“Reviewer”) reviewed the audit of Client L and found a number of deficiencies.
11. The working papers of Client L showed that the Respondent was involved in the audit all along and he had issued the auditor’s report of Client L in the name of the Practice on 30 March 2015. In particular, the Reviewer identified the following audit documentation which indicated that the Respondent had been involved in the audit of Client L since November 2014.
 - A professional clearance letter which indicated that the Practice had issued a professional clearance request to the preceding auditor of Client L on 26 November 2014;
 - An engagement letter of Client L dated 17 November 2014 which was signed by the Respondent; and
 - The planning memorandum of Client L which was prepared by the Respondent on 15 February 2015 showed that the Respondent was the engagement partner of Client L for the audit of the financial statements for the year ended 31 December 2014.
12. In the Respondent’s letters dated 16 May and 29 June 2016, he explained that he intended to pass the engagement of Client L to another individual at the time he signed the Declaration. But due to the unavailability of that individual, he was required to handle the engagement afterwards. However, he forgot to inform the QAD until he received a reminder from QAD in September 2015.
13. Having reviewed the working papers for Client L, the reviewer found that the Respondent failed to perform adequate audit procedures for a number of significant accounts reported in the financial statements which represented over 67% of Client L’s net assets. In addition, the audit documentation did not contain information required under the relevant auditing standard. This raised a concern as to whether the Respondent had obtained sufficient and appropriate audit evidence such that a reasonable conclusion could be drawn on the financial statements.
14. Responding to the practice review findings, the Respondent argued that the audit procedures that the reviewer identified as not performed or performed inadequately need not be applied in audits of small private companies. The Respondent’s argument shows his lack of understanding of the requirements of the auditing standards and lack of commitment to uphold audit quality.
15. The PRC considered the findings against the Respondent are serious because:

- (a) The Respondent had only one client and the audit work performed on that client fell below the standard expected; and
 - (b) A number of deficiencies noted in the initial visit recurred in the follow up visit which shows that the Respondent failed to adequately address the practice review findings identified in the initial visit.
16. Based on the above findings, the PRC was concerned that the Respondent had not maintained professional knowledge and skill at the level required to comply with professional standards. In addition, the PRC was critical of the Respondent's conduct in respect of the Declaration in that he did not adhere to his undertaking and report to QAD immediately after he had signed the auditor's report for Client L. The PRC decided to raise a complaint against the Respondent and a decision letter was issued to the Respondent on 6 December 2016.

The Complaints

First Complaint

17. 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, paragraph 6 of HKSA 500 in that he had failed to design and/or perform audit procedures that are appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of the financial statements of Client L for the year ended 31 December 2014.

Second Complaint

18. 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, paragraph 9 of HKSA 230 in that he had failed to record the person who performed that audit work and the date when such work was completed in relation to the audit of the financial statements of Client L for the year ended 31 December 2014.

Facts and circumstances in support of the First Complaint

19. The auditor's report issued by the Respondent for Client L stated that the auditor had conducted the audit in accordance with HKSAs issued by the Institute.
20. According to paragraph 6 of HKSA 500, an auditor is required to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.
21. The audit working papers of Client L did not show any evidence that the Practice had properly carried out audit procedures for the purpose of obtaining sufficient

appropriate audit evidence in respect of the following accounts which are material to the financial statements. The aggregate value of these accounts represented 67% of Client L's net assets as at 31 December 2014.

21.1 Interest in a subsidiary and an associate

- (a) The working papers show that the balance of interests in a subsidiary as at the year end date was HK\$1,815,548 (including an amount due from a subsidiary of HK\$1,815,546) and the balance of investment in an associate was HK\$579,975.
- (b) The Respondent did not carry out any audit work to:
 - (i) verify the ownership of the investments in the subsidiary and the associate by Client L as at the year end date;
 - (ii) ascertain the existence of the amount due from the subsidiary by performing alternative procedures on the non-replied confirmation form the subsidiary before the auditor's report date;
 - (iii) assess the recoverability of the amount due from the subsidiary; and
 - (iv) perform impairment assessment on the investment in the associate even though it was documented that the associate would be wound up in 2015.

21.2 Financial assets at fair value through profit or loss

- (a) The working papers show that the balance of financial assets at fair value through profit or loss as at the year end date was HK\$28,946,282. Such balance comprised investments of listed shares in Hong Kong and overseas of HK\$11,486,720 and HK\$17,459,562 respectively.
- (b) No audit procedures were carried out to ascertain the ownership of the shares and their relevant market values as at the year end date.

21.3 Amounts due to directors and shareholders

- (a) The working papers show that the balances of amounts due to directors and shareholders as at the year end date were HK\$539,765 and HK\$794,499 respectively.
- (b) The audit documentation indicated that the auditor had sent confirmation requests to some of the directors and shareholders to ascertain the balances due from Client L as at the year end date.

However, there was no evidence showing that the auditor had performed any alternative procedures to obtain relevant and reliable audit evidence on the non-replied confirmations before the auditor's report date.

21.4 Audit procedures under HKSA 580 "*Written Representations*"

- (a) During the follow up visit, the Reviewer noted that the management representation letter dated 31 January 2015 was only received by the Respondent in March 2016, subsequent to the auditor's report dated 30 March 2015.
 - (b) There was no evidence that the Practice had obtained the management representation as part of the audit evidence before the auditor's report date to substantiate its compliance with HKSA 580 in the audit of Client L.
22. On the basis of the above findings, the Practice is considered to have failed to comply with paragraph 6 of HKSA 500 in that it did not obtain sufficient and appropriate audit evidence such that a reasonable conclusion could be drawn on the relevant accounts.

Facts and circumstances in support of the Second Complaint

23. According to paragraph 9 of HKSA 230, an auditor shall record who performed that audit work and the date such work was completed.
24. The Respondent admitted to the Reviewer that the audit of Client L was performed by a subcontractor. But since the subcontractor did not sign or date any of the working papers of Client L, there was no information in the audit working papers indicating the person who performed the audit work and the date when such work was completed in accordance with paragraph 9 of HKSA 230.

Findings of the Disciplinary Committee

25. A hearing was conducted before the Disciplinary Committee on 27 September 2018 for full consideration. After the hearing, the Committee found the First Complaint and the Second Complaint (the "Complaints") proven.
26. In considering the sanctions to be made in this case, the Disciplinary Committee has had regard to all the matters brought forward by the Complainant and the Respondent, including the particulars in support of the Complaints, and the conduct of the Respondent throughout the proceedings and the hearing on 27 September 2018.

27. The Complaints resulted from repeated findings of deficiencies from a follow up review on the Respondent's practice. The Committee is of the view that the Respondent had failed to address the audit deficiencies found by the practice reviewer.
28. In addition, the Respondent's representations throughout the proceedings and the hearing on 27 September 2018 demonstrated that he lacked understanding at the level expected of a competent professional accountant, and in particular, about the difference between the role of an auditor and an accountant. The Respondent admitted to have prepared the accounts for Client L, without due regard to his independence as an auditor. As a result, the Respondent failed to envisage the need to perform adequate audit procedures on Client L's accounts which an independent auditor would otherwise perform. The Respondent even claimed that extracting the total from client ledgers for the 'creation of financial statements' is part of 'analytical auditing'.
29. Further, the Committee is concerned with the Respondent's repeated representation that for a dormant company or a private company of limited size, a 'full audit' should not be carried. The Committee is of grave concern if practitioners draw different auditing standards based on the size of the company.
30. During the hearing, the Committee also found that the accuracy of the financial statement of Client L is somewhat questionable. For example, the fair value loss on financial asset at fair value was calculated based on the Respondent's claim that he checked against the closing prices of the respective listed securities' websites. There have not been any records of the Respondent's review of the websites at the relevant time, apart from a record of the bank statement of Client L showing its portfolio value as shown in the bank statement of Client L. Even if the benefit of doubt is given to the Respondent that he did review the websites at the relevant times, it seems to the Committee, that the Respondent should have enquired into the actual investment costs of the additions in number of shares held. The Committee is of the view that there may be more similar questions that can be made on the accuracy of the financial statement of Client L and such questions are avoidable should adequate audit procedures have been carried out.
31. As such, the Committee found the Complaints proven and considered the matter serious that a cancellation of the Respondent's practicing certificate is appropriate.

SANCTIONS AND COSTS

32. The Disciplinary Committee orders that:-

- (a) the practising certificate of the Respondent be cancelled under Section 35(1)(da) of the PAO effective on the 42nd day from the date of this order and a practising certificate shall not be issued to the Respondent for 12 months commencing from the 42nd day after the date of this order under Section 35(1)(db) of the PAO;
- (b) the Respondent be reprimanded under Section 35(1)(b) of the PAO;
- (c) the Respondent pay a penalty of HK\$50,000 under Section 35(1)(c) of the PAO; and
- (d) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$55,000 under Section 35(1)(iii) of the PAO.

Dated 28 December 2018

Mr. Kwong Chi Ho Cecil
Chairman

Mr. Kan Siu Lun
Disciplinary Panel A

Mr. Chan Kin Man Eddie
Disciplinary Panel B

Ms. Lee Wai Fun
Disciplinary Panel A

Mr. Tang Kwai Chang Alfred
Disciplinary Panel B