

IN THE MATTER OF

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

BETWEEN

The Registrar of the Hong Kong Institute of Certified Public Accountants COMPLAINANT

AND

Mr. Leung Kam Man Victor FIRST  
Membership No. F06233 RESPONDENT

WB CPA Limited SECOND  
Corporate Practice No. S447 RESPONDENT

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

Members: Mr. Wong Kwai Huen Albert (Chairman)  
Mr. Wong Sai Hung Oscar  
Mr. Yu Tin Yau Elvin  
Mr. Tsang Chi Wai Roy  
Mr. Chu Yau Wing Jason

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**ORDER**

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Upon reading the complaints against Mr. Victor Leung Kam Man (“1<sup>st</sup> Respondent”), a certified public accountant (practising), and WB CPA Limited, a corporate practice (“the 2<sup>nd</sup> Respondent”) as set out in a letter from the Registrar of the Institute (“the Complainant”) dated 29 August 2014, the written submissions of the Complainant dated 26 May 2015 and 25 August 2015; and the Respondents’ Reply dated 7 August 2015 together with other relevant documents

AND upon hearing the oral submissions made by both parties on 23 November 2015, the Disciplinary Committee is satisfied by the admission of the Respondents and the evidence adduced before it that the following complaints are proved:

#### First Complaint

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

#### Second Complaint

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

#### Third Complaint

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

#### Fourth Complaint

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

#### Fifth Complaint

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

#### Sixth Complaint

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

The Disciplinary Committee ORDERS that:-

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

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

IN THE MATTER OF

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

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SECOND  
RESPONDENT

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**ORDER**

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



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

## **BACKGROUND**

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

### **3. The Complaints**

#### First Complaint

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

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

#### Second Complaint

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

#### Third Complaint

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

#### Fourth Complaint

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

#### Fifth Complaint

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

#### Sixth Complaint

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

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

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

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



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

The Disciplinary Committee ORDERS that:-

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

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**REASONS FOR DECISION**

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