



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 24 December 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 12 December 2014 that the name of Zeng Xianggao, Garret (membership number A13651) be removed from the register of certified public accountants for 10 months with effect from 2 February 2015, and that Zeng be reprimanded and pay a penalty of HK\$18,000 to the Institute for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. In addition, Zeng was ordered to pay costs of the disciplinary proceedings of HK\$31,840.

Zeng is the sole proprietor of Kangyuan Zeng & Co. which was the auditor of a private company. Zeng wrongfully acceded to the client's request to issue an unmodified audit opinion on its financial statements which were known to contain a material error, and he failed to evaluate whether certain related-party transactions were appropriately disclosed in the financial statements. After considering the information available, the Institute lodged a complaint against Zeng under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

Zeng admitted the complaint against him. The Disciplinary Committee found that Zeng failed or neglected to observe, maintain or otherwise apply section 110 "*Integrity*" and section 120 "*Objectivity*" of the Code of Ethics for Professional Accountants and Hong Kong Standard on Auditing 550 "*Related Parties*".

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Zeng under section 35(1) of the ordinance.

Under the ordinance, if Zeng 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. The majority (three members) of each committee, including the chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two members are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interests 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.

The 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 37,000 members and nearly 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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