



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 practising certificate of Zeng Xianggao, Garret (membership number A13651) is to be cancelled with effect from 2 February 2015 and the same shall not be issued to him for 10 months from that date for his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute and being guilty of professional misconduct. In addition, Zeng was ordered to pay costs of the disciplinary proceedings of HK\$25,376.

Zeng is the sole proprietor of Kangyuan Zeng & Co. ("Practice"). The Practice was selected for practice review in August 2011. A follow up visit was conducted in August 2012 to confirm whether the Practice had taken appropriate actions in response to findings identified during the practice review regarding quality control, audit methodology and conduct of audit work. During the follow up visit, the reviewer identified deficiencies in the work carried out by the Practice in the audits of two clients, and in the compliance reporting of one of those clients which was a securities broker.

The follow up visit further found that the Practice had issued an unmodified auditor's report on the securities broker's financial statements which were subsequently found to contain omissions and errors. Those financial statements were amended and the Practice re-issued an unmodified auditor's report on the amended financial statements. In doing so, the Practice failed to comply with the relevant professional requirements on auditors in dealing with subsequent events.

After considering the information available, the Institute lodged a complaint against Zeng under sections 34(1)(a)(vi) and 34(1)(a)(viii) 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 sections 100.5 and 130 "*Professional Competence and Due Care*" of the Code of Ethics for Professional Accountants. The Disciplinary Committee also found that Zeng was guilty of professional misconduct.

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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致：編採主任／新聞／財經版編輯

## 香港會計師公會對一名執業會計師作出紀律處分

(香港，二零一四年十二月二十四日) — 香港會計師公會轄下一紀律委員會於二零一四年十二月十二日就曾祥高先生(會員編號：A13651)沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則及犯下專業失當行為，命令於二零一五年二月二日起吊銷曾先生的執業證書，以及自當天起十個月內不獲公會頒發執業證書。此外，曾先生須支付紀律程序的費用二萬五千三百七十六港元。

曾先生為香港康元會計師事務所的獨資經營者。該會計師事務所於2011年8月被公會挑選進行執業審核。審核人員於2012年8月進行跟進，以確定該會計師事務所是否已對執業審核中就質量控制、核數方式及核數工作發現的問題作出適當的處理。在跟進的過程中，審核人員發現該會計師事務所替兩名客戶所進行的核數工作，以及替其中一名為證券經紀公司的客戶所進行的合規報告工作，犯有缺失。

審核人員進一步發現，該會計師事務所就證券經紀公司的財務報表發出一份無保留意見的核數師報告。期後，報表因有遺漏和錯誤而被更正。該會計師事務所對更正的財務報表重發出一份無保留意見的核數師報告。在這過程中，會計師事務所沒有遵守有關核數師處理期後事項的專業準則。

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

曾先生承認投訴中的指控屬實。紀律委員會裁定曾先生沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則 – Code of Ethics for Professional Accountants 中第100.5及130條的"Professional Competence and Due Care"。紀律委員會同時裁定曾先生犯下專業失當行為。

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)條向曾先生作出上述的命令。

根據《專業會計師條例》，如曾先生不服紀律委員會對他作出的命令，可於命令文本送達後30天內向上訴法庭提出上訴。

紀律委員會的書面判決可於公會網頁內Compliance部份查閱，網頁為 <http://www.hkicpa.org.hk>。

公會的紀律程序是根據《專業會計師條例》第V部份，由五位成員組成的紀律委員會執行。每個紀律委員會的大多數成員，即包括主席在內的三名成員，是由香港特別

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行政區行政長官從業外人士組成的紀律小組中選派委任，另外兩名成員由專業會計師出任。

除非負責的紀律委員會因公平理由認為不恰當，否則紀律聆訊一般以公開形式進行。紀律聆訊的時間表可於公會網頁查閱。如當事人不服紀律委員會的裁判，可向上訴法庭提出上訴，上訴法庭可確定、修改或推翻紀律委員會的裁判。

紀律委員會有權向公會會員、執業會計師事務所會員及註冊學生作出處分。紀律處分範圍包括永久或有限期地將違規者從會計師註冊紀錄冊中除名或吊銷其執業證書、對其作出譴責、下令罰款不多於五十萬港元，以及支付紀律程序的費用。

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## 關於香港會計師公會

香港會計師公會是香港唯一獲法例授權負責專業會計師註冊兼頒授執業證書的組織，會員人數超過三萬七千，註冊學生人數逾一萬八千。公會會員可採用「會計師」稱銜（英文為 **certified public accountant**，簡稱 **CPA**）。

公會(**Hong Kong Institute of Certified Public Accountants**)於一九七三年一月一日成立，當時的英文名稱為 **Hong Kong Society of Accountants**。

公會根據《專業會計師條例》履行職責，以公眾利益為依歸。其職能廣泛，包括開辦專業資格課程(**Qualification Programme**)以確保會計師的入職質素，以及頒布香港的財務報告、審計及專業操守準則。此外，公會亦負責在香港監管和推動優良而有效的會計實務，以鞏固香港作為國際金融中心的領導地位。

香港會計師公會是全球會計聯盟 (**Global Accounting Alliance, GAA**) 的成員之一。全球會計聯盟於二零零五年成立，聯合了全球頂尖的專業會計團體，推動優質服務，並積極與各地監管機構、政府及關連人士就國際重要議題共同合作。

## 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)(a) of the Professional Accountants Ordinance (Cap. 50) (“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

Zeng Xianggao, Garret (A13651)                      RESPONDENT

Members:     Mr. CHOW, Cheuk Yu, Alfred (Chairman)  
                    Ms. WAN Yuen Yung  
                    Miss WONG, Tak Lan, Mary Teresa  
                    Mr. CLEMENTSON, Rex Alexander  
                    Mr. TAM, Tak Wah

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**REASONS FOR DECISION**

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1. This is a complaint made by the Practice Review Committee of the Hong Kong Institute of Certified Public Accountants (“the Institute”) as the Complainant under Section 34(1)(a)(vi) of the PAO against the Respondent, who is a certified public accountant (practising).
2. The particulars of the Complaint were set out in a letter dated 7 January 2014 (“the Complaint”) from the Complainant to the Registrar of the Institute, for consideration of the Complaint by the Council of the Institute for referral to the Disciplinary Panels.
3. By a Confirmation dated 25 March 2014 signed by the Respondent, the Respondent admitted the Complaint against him. He did not dispute the facts as set out in the Complaint. He agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with.
4. The facts are as follows:-
  - a) The Respondent is the sole proprietor of Kangyuan Zeng & Co. (“the Practice”).

- b) The Practice had been selected for practice review in August 2011 and was the subject of a follow up visit that took place in August 2012. The main purpose of the follow up practice review visit was to confirm whether the Practice had taken appropriate actions to address shortcomings which the Complainant identified during the first practice review. Those shortcomings related to the Practice's quality control policies and procedures, audit methodology and conduct of audit work.
- c) A Quality Assurance Department Report to the Practice Review Committee ("the Report") had been compiled. The Report sets out the findings from the follow up practice review which were considered by the Complainant.
- d) In the August 2012 follow up visit, the reviewer identified deficiencies in the Practice's audits of two clients, Client F and Client G, for the year ended 31 December 2011. Client G was a securities broker and the reviewer also identified some deficiencies in the Practice's compliance reporting of that client.
- e) The follow up visit further found that, after the Respondent issued an unmodified auditor's report on the financial statements of Client G, omissions and errors were found in those financial statements which were then amended to rectify the omissions and errors. Subsequently, the Respondent issued an unmodified auditor's report on the amended financial statements but in doing so, he failed to comply with the relevant requirements of Hong Kong Standard of Auditing 560.
- f) On the basis of findings contained in the Report, the following complaints were laid against the Respondent :

***1<sup>st</sup> Complaint***

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that, as identified in the Report, he failed to maintain professional knowledge and skill at the level required to ensure that the clients received competent professional services and to act in accordance with applicable technical and professional standards, and he was thereby in breach of sections 100.5 and 130 of the Code of Ethics of Professional Accountants.

***2<sup>nd</sup> Complaint***

Section 34(1)(a)(viii) of the PAO applies to the Respondent in that, given the extent of the breaches identified in the Report, he has been guilty of professional misconduct.

- 5. By a letter dated 3 July 2014 addressed to the Complainant and the Respondent, the Clerk to the Disciplinary Committee ("DC"), under the direction of the DC, informed the parties that they should make written submissions to the DC as to the sanctions and costs.

6. The Complainant and the Respondent submitted their respective written submissions on sanctions and costs by letters dated 23 July 2014 and 28 July 2014 respectively. The Respondent has made further submissions by letter dated 10 October 2014. Whilst the aforesaid letter dated 10 October 2014 of the Respondent was received by the Clerk to the DC after the time for making submissions as to sanctions set out in the Procedural Timetable had lapsed, the DC allows such letter to be included as part of the Respondent's submissions on sanctions and costs. No request for a hearing on sanctions and costs has been made by any of the parties.
7. In the written submissions of the Complainant in the aforesaid letter dated 23 July 2014, the Complainant pointed out that in the present Complaint the Respondent's deficiencies and shortcomings were multiple and wide-ranging. The Complainant expressed serious concerns over the Respondent's commitment and competency to reach the required level of compliance with professional standards and quality, in particular over his capability to perform audits on regulated entities and complicated engagements. For the compliance audits there is also a public interest element involved as the impact could be far-reaching when regulators placed reliance on such compliance reports.
8. In this regard, the Respondent submitted in his aforesaid letter dated 28 July 2014 that:-

*“... we made a mistake in issuing two different version[s] of an audited accounts. But, to some extent, we think the impact and consequence might be minor. The first version audited accounts was given to SFC [Securities and Futures Commission] only for filing before the deadline with only one copy signed. The second version audited accounts was the revised one. As the client company has revoked license immediately from SFC, we have not called back the first version. Furthermore, the client company has no client assets and no client money. Thus, the impact can be said as immaterial.”*

(words in square brackets added)
9. The DC agrees with the submissions of the Complainant that there is a public element involved, in that Client G was a securities broker registered under the Securities and Futures Ordinance (Cap. 571). In fairness to the Respondent, the DC noted the Complainant's submission that no client assets and no client money was involved in the audited accounts and no submission to the contrary was brought forward by the Complainant. However, given the extent of the Respondent's deficiencies and shortcomings, the DC considers that the present Complaint is a serious case and there is a need to safeguard the public interest.
10. The DC takes into account the admission by the Respondent of the Complaint at an early stage of the proceedings. Whilst the Respondent has invited the DC to consider, amongst others, his health condition and difficulties of the Practice, these are not compelling mitigating factors. The DC bears in mind the deterrence element in considering the sanctions.

11. With regard to the costs, the DC considers that the costs and expenses in the sum of HK\$25,376, as submitted by the Complainant in the Statement of Costs, are reasonable. The Respondent did not dispute the costs and expenses of the Complainant.
12. In considering the proper order to be made in this case, the DC has had regard to all the aforesaid matters, including the facts and particulars in support of the Complaint and the conduct of the Complainant and the Respondent throughout the proceedings.
13. The DC orders that:-
  - 1) the practising certificate issued or to be issued to the Respondent for the year 2015 be cancelled to take effect from 2 February 2015 under section 35(1)(da) of the PAO;
  - 2) a practising certificate shall not be issued to the Respondent for 10 months from 2 February 2015 under section 35(1)(db) of the PAO; and
  - 3) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$25,376 under section 35(1)(iii) of the PAO.

Dated the 12<sup>th</sup> day of December 2014



IN THE MATTER OF

A Complaint made under section 34(1)(a) of the Professional Accountants Ordinance (Cap. 50) (“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

Zeng Xianggao, Garret (A13651)                      RESPONDENT

Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants (“the Institute”).

Members:     Mr. CHOW, Cheuk Yu, Alfred (Chairman)  
                    Ms. WAN Yuen Yung  
                    Miss WONG, Tak Lan, Mary Teresa  
                    Mr. CLEMENTSON, Rex Alexander  
                    Mr. TAM, Tak Wah

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**ORDER**

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Upon reading the complaint against Mr. Zeng Xianggao, Garret, being a certified public accountant (practising), as set out in a letter from the Practice Review Committee of the Institute (“the Complainant”) dated 7 January 2014, the written submissions of the Complainant dated 23 July 2014, the written submissions of the Respondent dated 28 July 2014 and 10 October 2014, and other relevant documents, the Disciplinary Committee is satisfied by the admission of the Respondent and the evidence adduced before it that the following complaints are proved:

1<sup>st</sup> Complaint

Section 34(1)(a)(vi) of the PAO applies to the Respondent in that, as identified in the Quality Assurance Department Report to the Practice Review Committee (“the Report”), he failed to maintain professional knowledge and skill at the level required to ensure that the clients received competent professional services and to act in accordance with applicable technical and professional standards, and he was thereby in breach of sections 100.5 and 130 of the Code of Ethics for Professional Accountants.

2<sup>nd</sup> Complaint

Section 34(1)(a)(viii) of the PAO applies to the Respondent in that, as identified in the Report, he has been guilty of professional misconduct.

IT IS ORDERED that:-

1. the practising certificate issued or to be issued to the Respondent for the year 2015 be cancelled to take effect from 2 February 2015 under section 35(1)(da) of the PAO;
2. a practising certificate shall not be issued to the Respondent for 10 months from 2 February 2015 under section 35(1)(db) of the PAO; and
3. the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$25,376 under section 35(1)(iii) of the PAO.

Dated the 12<sup>th</sup> day of December 2014