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

Dear Assignment / News / Business Section Editor

Hong Kong Institute of CPAs takes disciplinary action Against a certified public accountant

(HONG KONG, 30 November 2010) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Heng Kwoo Seng (membership number A01955) and ordered him to pay to the Institute penalties totalling HK$550,000 due to his failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

In addition, Heng was ordered on 28 October 2010 to pay HK$420,000 towards the costs of the disciplinary proceedings.

Heng was the sole proprietor of a firm of certified public accountants, K.S. Heng & Co. (now known as Morison Heng). The Institute received information in 2003 alleging that between 1994 and 1995, Heng helped former bank employee Peter Norman Elliott to receive a number of bribes. The information received also indicated that there was an issue of independence in that between 1994 and 1995, a company affiliated with Heng's audit firm, K.S. Heng & Co., acted as a nominee director of an audit client of the firm.

Heng acted as a prosecution witness under immunity in the criminal proceedings against Elliott that took place in 2003. Elliott's application for leave to appeal against the conviction and sentence was dismissed by the Court of Appeal in 2004.

After considering the information available, the Institute lodged two complaints against Heng under section 34(1A) of the Professional Accountants Ordinance and a Disciplinary Committee was constituted to deal with the complaints in September 2008.

Heng admitted the complaints against him in February 2010. On 2 July 2010, the Disciplinary Committee found that Heng failed or neglected to observe, maintain or otherwise apply the Institute's then applicable Statement 1.200 "Professional Ethics – Explanatory Foreword" in that Heng did not conduct himself in a manner consistent with the good reputation of the profession and the Institute because he assisted or facilitated an individual to receive a number of bribes. The Disciplinary Committee also found that Heng failed or neglected to observe, maintain or otherwise apply the Institute's then applicable Statement 1.203 "Professional Ethics – Independence" in that a company affiliated with Heng's audit firm acted as a nominee director of an audit client of the firm.

Having taken into account Heng's admission and the circumstances of the case, the Disciplinary Committee made the orders against Heng on 2 July and 28 October 2010.

The disciplinary order and costs order were served on Heng on 22 July 2010 and 17 November 2010 respectively. Under the Professional Accountants Ordinance, Heng may give notice of an appeal to the Court of Appeal within 30 days after he is served the orders, if he is aggrieved by the orders made by the Disciplinary Committee under section 35(1) of the ordinance.

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Findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at www.hkicpa.org.hk.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the Professional Accountants Ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chair,, 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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Note to editors

About the Hong Kong Institute of CPAs

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 30,000 members and 14,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation of *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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