



## **Hong Kong Institute of Certified Public Accountants settles regulatory proceedings involving a certified public accountant (practising)**

(HONG KONG, 21 December 2021) The Hong Kong Institute of Certified Public Accountants has settled regulatory proceedings concerning alleged non-compliance with its professional standards involving a certified public accountant (practising), Mr. Edmund Siu (A15356).

The complaint concerns audit deficiencies identified in the 2019 practice review conducted on Elite Partners CPA Limited. The Practice Review Committee of the Institute raised a complaint pertaining to the audit of the consolidated financial statements of a Hong Kong listed entity and its subsidiaries for the year ended 31 December 2018, on which Elite issued an unmodified opinion. The entity was principally engaged in investing in listed and unlisted companies. Mr. Siu was the engagement director of the audit. There is no evidence to suggest that the audit deficiencies below resulted in the wrong audit opinion being issued by Elite.

The entity's 2018 financial statements included a material amount of equity investments recorded at fair value through profit or loss. This amount comprised the entity's investments in three unlisted companies. The practice reviewer found that in performing the audit, Mr. Siu failed to:

- Properly test or evaluate the reasonableness of assumptions and estimates made by management in the fair value estimation of the entity's investments in the three companies;
- Obtain sufficient appropriate audit evidence for the investments in the three companies, including adequate evaluation of the work done by the valuer in relation to one of them;
- Prepare adequate audit documentation in respect of the investment in one of the companies; and
- Identify that the entity did not make adequate disclosures with respect to the equity investments as reported in the financial statements in accordance with the relevant requirements.

As a result of the above, Mr. Siu failed or neglected to observe, maintain or otherwise apply the following professional standards:

- Hong Kong Standard on Auditing (“HKSA”) 230 *Audit Documentation*;
- HKSA 500 *Audit Evidence*;
- HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
- the fundamental principle of Professional Competence and Due Care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

### **Settlement agreement**

The Council of the Institute has agreed with Mr. Siu that:

1. Mr. Siu acknowledges the facts of the case and areas of non-compliance with professional standards;
2. Mr. Siu be reprimanded; and
3. Mr. Siu pay a financial penalty of HK\$120,000 and costs of HK\$155,000.

Before determining that a settlement was appropriate, the Institute considered past disciplinary and regulatory actions taken against Mr. Siu, and reviewed past, similar cases pertaining to other respondents. The Institute concluded a settlement on the agreed basis would be the probable outcome of disciplinary proceedings and would be in the public interest.

### **HKICPA Settlement Process**

The interests of the public, the profession and Council’s regulatory function may be best served by early resolution of complaints which are either anticipated to result in disciplinary proceedings or are already the subject of disciplinary proceedings. Settlement requests will be assessed based on established criteria. Appropriate sanctions will be based on the nature and gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. The HKICPA will not agree to a settlement unless the matter is subject to publicity in A Plus, press release, and other means deemed appropriate.

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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 47,000 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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