

the “**Respondents**”). The Institute complains that the Respondents failed or neglected to observe, maintain or otherwise apply a professional standard under section 34(1)(a)(vi) of the PAO.

2. The Registrar of the Institute brought the complaint against the Respondents by a letter to the Council of the Institute dated 26 November 2015.
3. On 19 May 2016, the Respondents admitted the respective complaints against them. They did not dispute the facts as set out in the complaints. The parties agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules (the “**DCPR**”) be dispensed with.
4. The Disciplinary Committee agreed to the parties’ joint application to dispense with the steps set out in Rules 17 to 30 of the DCPR in light of the admissions made by the Respondents, and the Disciplinary Committee directed the parties to make written submissions on sanctions and costs.
5. The Complainant and the Respondents provided their submissions on sanctions and costs on 28 June 2016 and 8 July 2016 respectively.

A. Background

6. China Investment Development Limited (the “**Company**”) was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability. Its shares are listed on the Main Board (stock code: 204) of The Stock Exchange of Hong Kong Limited.
7. The consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2012 (the “**2012 Financial Statements**”) were audited by HLM & Co. (the “**Firm**”).
8. At the relevant time, Yuen was the engagement partner of the Firm responsible for the audit of the 2012 Financial Statements (the “**Audit**”). Yuen signed the auditor’s report in the name of the Firm on the 2012 Financial Statements on 26

June 2012. In the auditor's report, the Firm opined that the 2012 Financial Statements gave a true and fair view of the state of affairs of the Company and the Group in accordance with Hong Kong Financial Reporting Standards.

9. Leung was the engagement quality control reviewer ("EQCR") for the Audit.
10. On 14 January 2013, the Firm was de-registered from the Institute with effect from 31 December 2012.
11. The consolidated financial statements of the Group for the year ended 31 March 2013 (the "**2013 Financial Statements**") were audited by another auditor. Retrospective restatements were made in the 2013 Financial Statements in relation to the Group's failure in the 2012 Financial Statements to separately account for the embedded call options (the "**Options**") of two convertible bonds (the "**CBs**") at initial recognition and subsequent measurement at fair values as at 31 March 2012. The restatements revealed that the previously reported loss for 2012 was materially understated by HK\$1.5 million, being 24% of that reported loss.
12. On 27 November 2014, the Financial Reporting Council referred a report of the Audit Investigation Board (the "**AIB**") dated 8 October 2014 (the "**AIB Report**") to the Institute pursuant to section 9(f) of the Financial Reporting Council Ordinance (Cap.588).
13. The AIB found that the Firm failed to evaluate whether the accounting treatment and valuation of the CBs invested by the Group was appropriate and that the Firm expressed an unmodified audit opinion on the 2012 Financial Statements which contained a material misstatement. Yuen, being the engagement partner for the Audit, is responsible for the failure. The AIB also found that Leung, as an EQCR, did not properly perform his review of the audit of the CBs, which led to his failure to identify the Group's non-compliance with HKAS 39 *Financial Instruments: Recognition and Measurement*.

B. Relevant Professional Standards

14. The professional standards applicable to this complaint are as follows:

- (1) Paragraphs 9, 11, 46, 55 and AG30 of **HKAS 39 *Financial Instruments: Recognition and Measurement*** (Revised May 2010)
- (2) Paragraphs 12 and 13 of **HKSA 700 *Forming an Opinion and Reporting on Financial Statements*** (Issued September 2009; revised July, October 2010)
- (3) Paragraphs 8 and A48 of **HKSA 500 *Audit Evidence*** (Issued July 2009; revised July 2010)
- (4) Paragraphs 20, 21 and A28 of **HKSA 220 *Quality Control for an Audit of Financial Statements*** (Issued June 2009; revised July 2010)

15. The relevant extracts of the abovementioned professional standards are annexed hereto.

C. The Complaints

16. The first two complaints relate to Yuen whilst the third complaint relates to Leung.

C1. First Complaint

17. Section 34(1)(a)(vi) of the PAO applies to Yuen in that she failed or neglected to observe, maintain or otherwise apply paragraphs 12 and 13 of HKSA 700 as a result of her failure to adequately evaluate the accounting policy selected and applied by the Group for the CBs in the 2012 Financial Statements.

C2. Second Complaint

18. Section 34(1)(a)(vi) of the PAO applies to Yuen in that she failed or neglected to observe, maintain or otherwise apply paragraphs 8 and A48 of HKSA 500 as a result of her failure to adequately assess the valuation reports of the CBs issued by Ascent Partners.

C3. Third Complaint

19. Section 34(1)(a)(vi) of the PAO applies to Leung in that he failed or neglected to observe, maintain or otherwise apply paragraphs 20, 21 and A28 of HKSA 220 as a result of his failure, as an EQCR for the Audit, to evaluate the accounting treatment of the CBs in the 2012 Financial Statements.

D. Facts and circumstances in support of the First Complaint

D1. The Group's acquisition of and accounting treatment for the CBs

20. In September 2011, the Company invested in the CBs which were issued by two companies operating in the PRC (the "Issuers"). The CBs contained options which allowed the Company to convert the CBs into fully paid ordinary shares of the Issuers at any time until the CB's respective maturity dates. As at 31 March 2012, value of the entire CBs was recorded under available-for-sale financial assets in the 2012 Financial Statements.
21. The board of directors of the Company resolved to invest in the CBs with a view to earning fixed rate interest income for the Company and possible profit from selling the CBs to other investors or converting them into ordinary shares of the Issuers and selling the shares.
22. As identified in the AIB Report, a loss of HK\$315,000 arising from the CBs' fair value adjustment upon acquisition was recognised as a change in fair value of available-for-sale financial assets and included under "Other comprehensive income (expense)" in the consolidated income statement of the 2012 Financial Statements. In addition, the fair value of the CBs was not re-measured at the balance sheet date of 31 March 2012.
23. The AIB considered that paragraphs 9, 11 and AG30 of HKAS 39 would require the Options in the CBs to be separately accounted for as financial assets at fair value through profit and loss, with changes in fair value recognised in profit or

loss as they arose. Further, the Group should have re-measured the value of the CBs at fair value as at the balance sheet date and recognised any change in the fair value of the Options through profit and loss under the requirements of paragraphs 46 and 55 of HKSA 39.

24. In the 2013 Financial Statements, retrospective adjustments were made to the effect that the fair value of the CBs should be re-valued and that the Options should be separately recognised as financial assets at fair value with changes reflected through profit and loss rather than under “other comprehensive income (expense)” in the consolidated income statement:

	As previously reported <u>HK\$'000</u>	Adjustments <u>HK\$'000</u>	As restated <u>HK\$'000</u>
Change in fair value of available-for-sale financial assets	(315)	1,593	1,278
Change in fair value of financial assets at fair value through profit or loss	(250)	(1,506)*	(1,756)
<i>*Restatement represented 24% of the pre-adjustment loss for the year of HK\$6,262,000</i>			
Non-current assets:			
Available-for-sale financial assets	18,185	(2,889)	15,296
Current assets:			
Financial assets at fair value through profit or loss	614	2,976	3,590

D2. Audit work performed by Yuen and the audit team

25. In the Audit Planning Memorandum, Yuen and the audit team identified the Group's investment in the CBs and planned to request management to engage a

professional valuer to assess the fair value of the CBs and consider whether the Option should be recognised separately as financial assets at fair value through profit and loss, in accordance with HKAS 39.

26. The audit team assessed the specific risk and assertion risk in relation to the CBs to be both medium. The total balance of the CBs as at 31 March 2012 was HK\$18.2 million accounting for 43% of the consolidated net assets of HK\$42 million and considered as a significant event by the audit team. However, the management of the Group did not agree to separately recognise the Options in the CBs or engage a professional valuer to assess the fair value of the CBs as at the balance sheet date.
27. Yuen represented that the audit team had accepted management's decision because of: (i) management's representation that it no longer intended to convert the CBs into shares of the Issuers as the CBs would be redeemed by the Issuers in full with accrued bond interest soon after the year-end date with no gain or loss on redemption; and (ii) management's view that no valuer was required to assess the fair value of the CBs as at the balance sheet date because it considered that the market condition and discount rate had remained stable in the period from the date of valuation and the year-end date.
28. Yuen submitted to the Institute that she had exercised her professional judgment to concur with management's non compliance with HKAS 39.
29. However, neither Yuen nor her audit team appeared to have carried out any adequate audit work to support management's decision not to apply HKAS 39.
30. Yuen should have properly evaluated whether the management's recognition and measurement of the investments in the CBs in the 2012 Financial Statements complied with the relevant financial reporting standard.

E. Facts and circumstances in support of the Second Complaint

31. HKSA 500 requires that in accepting management expert's work as audit evidence, auditors should evaluate the relevance, completeness, and accuracy of source data and reasonableness of assumptions adopted.
32. Yuen relied on the result of valuation reports prepared by Ascent Partners dated 16 November 2011 as audit evidence to support the value of the CBs as at the balance sheet date.
33. The valuation reports contained various assumptions and data on the discount rate for the debt component, the expected volatility and the comparables used to determine the expected volatility.
34. Yuen submitted that she / the audit team had discussed with management and the responsible professional valuer about the valuation methods, assumptions and data used. However, the audit working papers and even Yuen's representations to the Financial Reporting Council and the Institute fail to specify how Yuen / the audit team assessed the source data and assumptions used in the valuation reports and/or how these valuation reports were relevant for the purpose of supporting the value of the CBs as at the balance sheet date.

F. Facts and circumstances in support of the Third Complaint

35. Paragraphs 20, 21 and A28 of HKSA 220 require that an EQCR should perform an objective evaluation of the significant judgments, consultations and conclusions made or undertaken by the engagement team. An EQCR is also required to consider if audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached.
36. Leung was involved in the audit team's planning meeting and was consulted on significant planning issues in the planning stage of the Audit in that he should have noted that the Company's investment in the CBs, which included the

embedded derivatives, was considered as a significant event by the audit team. Notwithstanding this, Leung did not identify the need to carry out his review of the audit work on the CBs. He failed to consider whether the work of specialists (the independent valuer) had been properly reviewed. Further, he considered that no difficult matters were identified.

37. Leung also concluded that he was satisfied that the auditor's report be released based on his review of the engagement file, discussions with the engagement personnel and the responses to his review comments.
38. However, based on Leung's engagement review worksheet, it appears that he had not considered the validity of the reasons provided by management that persuaded Yuen and the audit team not to apply HKAS 39 and not to require a valuer to be appointed to revalue the CBs, as at the balance sheet date.
39. In the circumstances, Leung failed to identify the Group's non-compliance with HKSA 39 which led to a significant understatement of the loss of the Group in the 2012 Financial Statements.

G. The sanctions

40. In light of the admissions by the Respondents, the only outstanding matter is the question of sanctions which ought to be imposed upon the Respondents.

G1. The parties' submissions

41. As mentioned above, the Complainant and the Respondents provided their submissions on sanctions and costs on 28 June 2016 and 8 July 2016 respectively.
42. In summary, both the Complainant and the Respondents accept that the Respondents ought to be reprimanded and ought to pay a financial penalty. However, they hold different views as to the quantum of the fine. Initially, another difference between the parties was the point up to which the

Respondents ought to bear the costs of the Complainant, but after the Disciplinary Committee sought further clarification, by a letter dated 9 August 2016 the Respondents have now said that they do not have any comment on the revised cost of HK\$54,123.60, which is the amount of the Complainant's costs to date.

43. The Complainant referred the Disciplinary Committee to six cases. In summary:

- (1) The Complainant submits that this case is moderately serious, and an appropriate sanction would be a reprimand of the Respondents and a financial penalty to be paid by each of them.
- (2) The Complainant has not specified what it considers to be an appropriate financial statement save as to say that cases which are considered as not serious enough to warrant disciplinary action would generally be concluded by a Resolution by Agreement, which entails a public reprimand and financial penalty of an amount not exceeding HK\$50,000, and that cases which are referred to the Disciplinary Panels are generally viewed by the Council of the Institute as severe in gravity which warrant sanctions that are expected to be heavier than those under a Resolution by Agreement.
- (3) The Complainant submits that the sanctions imposed in Proceedings No. D-12-0733P, when compared with other precedent cases cited, was too light.
- (4) The Complainant seeks that the Respondents pay the costs and expenses of and incidental to the proceedings of the Institute, including the costs and expenses of the Committee. The Complainant has provided a Statement of Costs dated 28 June 2016 which gives a total of HK\$54,123.60.

44. The Respondents' submission is that:

- (1) The Respondents' breaches are not serious in nature and involve a technical error in exercising accounting judgment.
- (2) The present case is most similar to Proceedings No. D-12-0733P, one of the cases referred to by the Complainant, in which the two individual respondents were reprimanded and ordered to pay a penalty of HK\$12,000 each, and the respondent firm was ordered to pay a penalty of HK\$50,000.
- (3) The Respondents submit that the present case is less serious than Proceedings No. D-12-0733P because the complaints in the present case:
 - (a) do not include any complaint regarding a failure or neglect to observe, maintain or otherwise apply the Code as a result of any failures to maintain professional knowledge or skill and/or act diligently. The Respondents were aware of the applicable auditing standards and performed certain audit work in accordance with those standards, which was accepted by the Institute at paragraph 18 of the Complaint. The audit work done was considered not sufficient and was not in strict compliance with the applicable accounting standards, in particular HKSA 39, upon the Respondents' application of its professional judgment; and
 - (b) does not concern the valuation of the principal net assets of the Company. The CBs represented 43% of the consolidated net assets of the Company only. The CBs were redeemed, before completion of the audit and sign-off of the 2012 Financial Statements, in full at their principal amounts plus interest, with no gain or loss on redemption, which was noted by the Respondents. It was not a case where the CBs were fully impaired.

- (4) In summary, the Respondents rely upon the following mitigating factors:
- (a) The Respondents' cooperative conduct;
 - (b) The Respondents' acknowledgement at the investigation stage that they had, on a technical reading, breached HKSA 39 with respect to its accounting treatment of the CBs in the 2012 Financial Statements, and once the Complaint was formulated, the Respondents admitted it at the first available opportunity without contesting it, resulting in significant saving of time and costs;
 - (c) The Respondents have been practising for over 30 years with an unblemished disciplinary record to date;
 - (d) The Respondents have, with others, invested significant resources to develop the Firm's practice, and the Firm has been consistently been operating on a breakeven basis;
 - (e) The Second Respondent has been suffering from various health issues and has retired from the Firm's directorship since the beginning of 2016; and
 - (f) The Respondents recognise that the audit work performed in relation to the 2012 Financial Statements was inadequate and not compliant with the applicable auditing standards, and have implemented various measures to do their best to ensure that this type of situation will not arise in the future.
- (5) There was no fraud, dishonesty or personal gain in that the instances of non-compliance with the auditing standards were inadvertent.
- (6) The Respondents are remorseful.

- (7) The Respondents submit that a reprimand for each of the Respondents and a fine of less than HK\$12,000 each is appropriate, in particular in light of the further mitigating factors.
- (8) In the Respondents' submissions dated 8 July 2016, the Respondents had indicated that they do not object to paying the Complainant's costs of HK\$30,436 as reflected in the Statement of Costs attached to the Complaint. Subsequently, after the Disciplinary Committee informed the Respondents that the Complainant's costs to date were in fact HK\$54,123.60 and invited the Respondents to make further comments on the costs amount, by a letter dated 9 August 2016 the Respondents stated that they do not have any comment on the revised sum of HK\$54,123.60.

G2. Discussion and Decision

45. As stated at the outset, the Company is a listed company, and the audit work in the present case affects the investing public.
46. The Disciplinary Committee does not consider that it assists the Respondents that they were aware of the applicable auditing standards but then decided that it was acceptable not to apply those standards.
47. Whilst the Respondents point out that the Complaint "*does not concern the valuation of the principal net assets of the Company*" as the "*CBs represented 43% of the consolidated net assets of the Company only*", the Disciplinary Committee notes that the total balance of the CBs as at 31 March 2012 was HK\$18.2 million and that 43% is a very significant proportion of the Company's net assets.
48. The breaches by the Respondents resulted in the Company's reported loss for 2012 being materially understated by HK\$1.5 million, being 24% of the reported loss. This is a significant sum and a significant percentage.

49. In considering the proper order to be made in this case, the Disciplinary Committee has had regard to all the aforesaid matters, including the particulars in support of the Complaints (with the First and Second Complaints relating to the 1st Respondent whilst the Third Complaint to the 2nd Respondent), the Respondents' personal circumstances, the parties' submissions, the previous cases referred to us (although we bear in mind that each case must be decided upon its own particular facts) and the conduct of the Complainant and the Respondents throughout the proceedings.
50. In terms of costs, the Disciplinary Committee considers that the sum of HK\$54,123.60 was incurred reasonably and ought to be borne by the Respondents. The Disciplinary Committee sees no reason why the Respondents should only pay for the Complainant's costs up to the date of the letter of complaint dated 26 November 2015 rather than to date as initially suggested by the Respondents. Indeed, by their letter dated 9 August 2016, the Respondents do not appear to contest the figure of HK\$54,123.60, being the Complainant's costs to date.
51. The Disciplinary Committee orders that:-
- (1) the Respondents be reprimanded under section 35(1)(b) of the PAO;
 - (2) the 1st Respondent pay a penalty of HK\$70,000.00 pursuant to section 35(1)(c) of the PAO;
 - (3) the 2nd Respondent pay a penalty of HK\$50,000.00 pursuant to section 35(1)(c) 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\$54,123.60 under Section 35(1)(iii) of the PAO.

Dated the 12th day of September 2016.

Extracts of the relevant Professional Standards

HKAS 39 Financial Instruments: Recognition and Measurement (Revised May 2010)

Paragraph 9:

"A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions.

(a) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

..."

Paragraph 11:

"An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (see Appendix A paragraphs AG30 and AG33);

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (ie a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated)."

Paragraph 46:

"After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- (a) loans and receivables as defined in paragraph 9, which shall be measured at amortised cost using the effective interest method;
- (b) held-to-maturity investments as defined in paragraph 9, which shall be measured at amortised cost using the effective interest method; and
- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost (see Appendix A paragraphs AG80 and AG81).

Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements in paragraphs 89-102. All financial assets except those measured at fair value through profit or loss are subject to review for impairment in accordance with paragraphs 58-70 and Appendix A paragraphs AG84-AG93.

Paragraph 55:

"A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship (see paragraphs 89-102), shall be recognised, as follows.

- (a) A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in profit or loss.
- (b) A gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for impairment losses (see paragraphs 67-70) and foreign exchange gains and losses (see Appendix A paragraph AG83), until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see HKAS 1 Presentation of Financial Statements (as revised in 2007)). However, interest calculated using the effective interest method (see paragraph 9) is recognised in profit or loss (see HKAS 18). Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established (see HKAS 18)."

Paragraph AG30:

"The economic characteristics and risks of an embedded derivative are not closely related to the host contract (paragraph 11(a)) in the following examples. In these examples, assuming the conditions in paragraph 11(b) and (c) are met, an entity accounts for the embedded derivative separately from the host contract ... (f) An equity conversion feature embedded in a convertible debt instrument is not closely related to the host debt instrument from the perspective of the holder of the instrument... "

HKSA700 Forming an Opinion and Reporting on Financial Statements (Issued September 2009; revised July, October 2010)

"12. The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments. (Ref: Para. A1-A3)"

"13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:

- (a) The financial statements adequately disclose the significant accounting policies selected and applied;
- (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
- (c) The accounting estimates made by management are reasonable;
- (d) The information presented in the financial statements is relevant, reliable, comparable, and understandable;
- (e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and (Ref: Para. A4)
- (f) The terminology used in the financial statements, including the title of each financial statement, is appropriate."

HKSA500 Audit Evidence (Issued July 2009; revised July 2010)

"8. If information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes: (Ref: Para. A34-A36)

- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A37-A43)
- (b) Obtain an understanding of the work of that expert; and (Ref: Para. A44-A47)
- (c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion. (Ref: Para. A48)"

"A48. Considerations when evaluating the appropriateness of the management's expert's work as audit evidence for the relevant assertion may include:

- The relevance and reasonableness of that expert's findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements;
- If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods; and

If that expert's work involves significant use of source data, the relevance, completeness, and accuracy of that source data."

HKSA 220 *Quality Control for an Audit of Financial Statements* (Issued June 2009; revised July 2010) states that,

"20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:

- (a) Discussion of significant matters with the engagement partner;
- (b) Review of the financial statements and the proposed auditor's report;
- (c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and
- (d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26-A27, A29-A31) "

"21. For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an engagement quality control review, shall also consider the following:

- (a) The engagement team's evaluation of the firm's independence in relation to the audit engagement;
- (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and
- (c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A28-A31)"

"Engagement Quality Control Review of Listed Entities (Ref: Para. 21)

A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:

- Significant risks identified during the engagement in accordance with HKSA 315,11 and the responses to those risks in accordance with HKSA 330,12 including the engagement team's assessment of, and response to, the risk of fraud in accordance with HKSA 240.13
- Judgments made, particularly with respect to materiality and significant risks.
- The significance and disposition of corrected and uncorrected misstatements identified during the audit.
- The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.

These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities."

