

**Press Release**

13 November 2018

**Completed investigation**

On 8 November 2018, the FRC adopted the investigation report on the audits of the consolidated financial statements of a listed entity for the years ended 31 December 2005 to 31 December 2007.

The FRC found that the auditor and the relevant engagement directors failed or neglected to observe, maintain or otherwise apply certain professional standards in respect of the audit of (i) the turnover; (ii) the trade receivables and trade payables; (iii) the related party transactions; and (iv) the consolidation of financial statements. In particular, it was found that the auditor and the relevant engagement directors were in breach of the following Hong Kong Standard on Auditing (**HKSA**):

- (a) *HKSA 200 Objectives and General Principles Governing an Audit of Financial Statements;*
- (b) *HKSA 200 (Revised) Objectives and General Principles Governing an Audit of Financial Statements;*
- (c) *HKSA 315 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement;*
- (d) *HKSA 330 The Auditor's Procedures in Response to Assessed Risks;*
- (e) *HKSA 500 Audit Evidence;*
- (f) *HKSA 505 External Confirmations;*
- (g) *HKSA 520 Analytical Procedures;*
- (h) *HKSA 530 Audit Sampling and Other Means of Testing; and*
- (i) *HKSA 550 Related Parties.*

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted. Names of the relevant parties are withheld because of the potential disciplinary proceedings.

— End —

## **Note to editors**

### **About the FRC**

The FRC is a statutory body established in December 2006 under the Financial Reporting Council Ordinance. The FRC is entrusted with the statutory responsibilities to conduct independent investigations into possible auditing or reporting irregularities by auditors of listed entities and to enquire into possible non-compliance with accounting requirements by listed entities. The FRC has 11 members with a variety of professional backgrounds the majority of whom, including the Chairman, are lay persons. For more information, please visit [www.frc.org.hk](http://www.frc.org.hk).

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