

**Press Release**

13 June 2017

**Completed investigation**

On 7 June 2017, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 30 June 2013 (**the Relevant Audit**).

The Audit Investigation Board (**the AIB**) found that the auditor failed or neglected to observe, maintain or otherwise apply certain professional standards in the Relevant Audit concerning the acquisition-date valuation of the intangible assets arising in the acquisition. The AIB also found that the engagement partner and the engagement quality control reviewer (**the EQCR**) failed to act diligently in accordance with applicable technical and professional standards in the Relevant Audit.

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants (**the HKICPA**) to determine if any disciplinary actions are warranted.

On 26 May 2015, the FRC directed the AIB to conduct an investigation into the Relevant Audit.

As a result of the investigation, the AIB found that the auditor failed to sufficiently evaluate the adequacy of the work by the auditor's expert and challenge the findings and conclusions of the auditor's expert's work on the valuation of the intangible assets as at the acquisition date in accordance with paragraphs 6, 7 and 8 of HKSA 500 and paragraphs 12 and 13 of HKSA 620 (Clarified) *Using the Work of an Auditor's Expert*.

Based on the above, the AIB found that the EQCR did not fully comply with paragraph 20 of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Information* in performing the engagement quality control review on the audit.

The AIB also found that the engagement partner and the EQCR did not fully comply with section 130.1 of the Code of Ethics for Professional Accountants as they failed to act diligently in accordance with applicable technical and professional standards when providing professional services.

On 7 June 2017, the FRC adopted the investigation report prepared by the AIB, which summarised the findings of the investigation. The investigation report has been referred to the HKICPA to determine if any disciplinary actions are warranted. Names of the relevant parties are withheld pending the conclusion of such disciplinary proceedings, if any.

The AIB is chaired by the Chief Executive Officer and its members are full-time staff of the FRC.

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## **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 in relation to listed entities and to enquire into possible non-compliance with accounting requirements on the part of listed entities. The FRC has 11 members with a variety of professional backgrounds and 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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