

Press Release
16 March 2018

Completed investigation

On 15 March 2018, 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 FRC found that the auditor and the engagement partner failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audit in relation to the recognition of impairment loss of an available-for-sale financial asset.

In particular, it was found that:

- (a) the auditor and the engagement partner failed to sufficiently evaluate whether the listed entity's impairment assessment of the available-for-sale financial asset complied with the applicable financial reporting framework, which was required by paragraphs 8(a) and 18 of HKSA 540 (Clarified) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*;
- (b) the auditor and the engagement partner failed to express a modified auditor's opinion on the Relevant Financial Statements in this respect, in accordance with paragraphs 11 and 13 of HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements*;
- (c) the engagement quality control reviewer (**the EQCR**) was in breach of paragraphs 20 and 21 of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements* to carry out an objective engagement quality control review; and
- (d) the engagement partner and the EQCR failed to act diligently in accordance with applicable technical and professional standards, hence they did not fully comply with section 130.1 of the Code of Ethics.

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

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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 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.

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