

Press Release

12 September 2019

Completed investigation

On 4 September 2019, the FRC adopted the investigation report on the audits of the consolidated financial statements of a listed entity for the years ended 30 April 2014 and 2015.

The FRC found that the auditor, the engagement partner and the engagement quality control reviewer failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audits in relation to (a) assets and liabilities held for distribution to owners and discontinued operations; (b) impairment assessments of available-for-sale investments; (c) accounting for convertible notes; and (d) impairment assessment of loans and accounts receivable and finance leases receivable held for distribution to owners.

The investigation revealed that the auditor and the engagement partner failed to properly perform the relevant audits, in relation to the above matters, in accordance with the relevant provisions of Hong Kong Standard on Auditing (HKSA) 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 260 (Clarified) *Communication with Those Charged with Governance*, HKSA 500 (Clarified) *Audit Evidence*, and HKSA 705 (Clarified) *Modifications to the Opinion in the Independent Auditor's Report*.

It was also found that the engagement quality control reviewer of the relevant audits failed to fully comply with the relevant provisions of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*.

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.

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Note to editors

About the FRC

When the Financial Reporting Council (Amendment) Ordinance takes effect, the FRC will become the independent listed entity auditor regulator for Hong Kong with the direct powers of inspection, investigation and discipline concerning auditors of listed entities and oversight of the performance of the Hong Kong Institute of Certified Public Accountants in respect of their functions for registration, standards on professional ethics and auditing and assurance; and continuing professional development requirements in relation to PIE auditors. The FRC is committed to achieving its mission of upholding the quality of financial reporting of listed entities in Hong Kong. For more information, please visit www.frc.org.hk.

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