

### Completed investigation

On 4 September 2019, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 December 2014.

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 audit in relation to a business combination in respect of (a) the classification and measurement of contingent consideration; (b) the acquisition-date fair value measurement of the intangible assets acquired; and (c) the expected useful lives and the subsequent measurement of the intangible assets.

In particular, the investigation revealed that, in relation to the above matters,

- (a) the auditor and the engagement partner failed to properly perform the relevant audit in accordance with the relevant provisions of HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*; HKSA 500 *Audit Evidence*; HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and HKSA 620 *Using the work of an auditor's expert*.
- (b) the engagement quality control reviewer failed to comply with the relevant provisions of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements* in relation to the quality control review.
- (c) the engagement partner and the engagement quality control reviewer failed to fully comply with section 130.1 of the Code of Ethics for Professional Accountants during the audit of the 2014 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.

## **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](http://www.frc.org.hk).

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