

Completed investigation

On 16 January 2019, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 March 2012.

The FRC found that the auditor and the engagement partner failed or neglected to observe, maintain or otherwise apply certain professional standards in respect of the audit of the impairment assessment of goodwill arising from an acquisition of a subsidiary during the year ended 31 March 2012. In particular, it was found that the auditor and the engagement partner were in breach of Hong Kong Standard on Auditing (**HKSA**) 500 (Clarified) *Audit Evidence* and HKSA 540 (Clarified) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

It was also found that the engagement quality control reviewer of the relevant audit 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.

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

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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