

Press Release

13 November 2018

### **Completed investigation**

On 8 November 2018, the FRC adopted the investigation report on the audits of the consolidated financial statements of a listed entity for the years ended 31 March 2010 to 2012.

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 audits in relation to the recognition of revenue from prepaid service contracts in the relevant financial statements.

In particular, the investigation revealed that the auditor and the engagement partner failed to properly plan and perform the audits to obtain sufficient appropriate audit evidence in relation to the recognition of revenue from prepaid service contracts in accordance with the relevant provisions of Hong Kong Standard on Auditing (HKSA) 330 (Clarified) *The Auditor's Procedures in Response to Assessed Risks*; HKSA 500 (Clarified) *Audit Evidence*; HKSA 520 (Clarified) *Analytical Procedures*; HKSA 530 (Clarified) *Audit Sampling*.

It was also found that the engagement quality control reviewer for the audit of the listed entity's consolidated financial statements for the year ended 31 March 2012 failed to fully comply with paragraph 20 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**

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 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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