

### **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 2011 and 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 (i) recognition of contract revenue and costs in relation to a construction agreement; (ii) recognition of consultancy fee in relation to a consultancy service agreement and its capitalisation; and (iii) disclosure of a related party transaction in the financial statements.

In particular, it was found that the auditor and the engagement partner were in breach 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 500 (Clarified) *Audit Evidence* and HKSA 550 (Clarified) *Related Parties*.

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.

— End —

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

### **For media enquiries:**

Celian Cheung  
Corporate Communications Manager  
Financial Reporting Council  
Tel: (852) 2236 6025  
Fax: (852) 2810 6320  
Email: [celiancheung@frc.org.hk](mailto:celiancheung@frc.org.hk)