

15 March 2019

Completed investigation

On 13 March 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 and the accounting for the acquired hotel property.

The investigation revealed that the auditor and the engagement partner failed to plan and perform the relevant audit, in relation to the above matters, in accordance with the relevant provisions of HKSA 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*; HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*; HKSA 300 (Clarified) *Planning an Audit of Financial Statements*; HKSA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*; HKSA 330 (Clarified) *The Auditor's Responses to Assessed Risks*; HKSA 500 (Clarified) *Audit Evidence*; and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

The failure to comply with the above auditing standards also demonstrated that the engagement partner failed to adequately direct and supervise the audit team and adequately review the performance of the audit in accordance with the relevant provisions of HKSA 220. It was also found that the engagement quality control reviewer of the relevant audit failed to comply with the relevant provisions of HKSA 220 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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