

## Completed investigation

On 12 July 2018, the FRC adopted the investigation report on the audits of the consolidated financial statements of a listed entity for the years ended 31 July 2011 and 31 July 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) equity accounting of the group's interests in an associate and the consequential impact on goodwill; and (ii) valuation of the group's interests in another associate.

In particular, it was found that:

- (a) the auditor and the engagement partner were in breach of Hong Kong Standard on Auditing 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, Hong Kong Standard on Auditing 500 (Clarified) *Audit Evidence* and Hong Kong Standard on Auditing 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements*; and
- (b) the engagement quality control reviewer of the audit of the consolidated financial statements of the group for the year ended 31 July 2011 was in breach of paragraphs 20 and 21 of Hong Kong Standard on Auditing 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.

— 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)