

Completed investigation

On 13 September 2018, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 March 2011.

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 respect of (i) provision for inventory obsolescence; (ii) revenue from variations of works and claims, and the relevant expenses; (iii) revenue from sales of goods; and (iv) share-based payment expenses in the relevant financial statements. In particular, it was found that:

- (a) the auditor and the engagement partner were in breach of:

Hong Kong Standard on Auditing (**HKSA**) 330 (Clarified) *The Auditor's Responses to Assessed Risks*;
HKSA 450 (Clarified) *Evaluation of Misstatements Identified during the Audit*;
HKSA 500 (Clarified) *Audit Evidence*;
HKSA 510 (Clarified) *Initial Audit Engagements — Opening Balances*;
HKSA 530 (Clarified) *Audit Sampling*;
HKSA 540 (Clarified) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
HKSA 710 (Clarified) *Comparative Information— Corresponding Figures and Comparative Financial Statements*.

- (b) the engagement quality control reviewer was in breach of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements* to carry out an objective engagement 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.

— 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.

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