

### **Completed investigation**

On 8 November 2018, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 December 2015.

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 audit in relation to a significant sale transaction. The revenue of the sale transaction and the receivable represented 80% and 94% of the group's revenue and trade receivables respectively.

The investigation revealed that the auditor and the engagement partner failed to plan and perform the relevant audit, in relation to the sale transaction, 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 240 (Clarified) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*; HKSA 260 (Revised) *Communication with Those Charged with Governance*; 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*; HKSA 505 (Clarified) *External Confirmations*; HKSA 520 (Clarified) *Analytical Procedures*; and HKSA 550 (Clarified) *Related Parties*.

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.

**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).

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