

Press Release
13 November 2014

Completed investigation

On 6 November 2014, the FRC completed the investigation on the audit of the consolidated financial statements of a listed entity for the year ended 31 December 2010 (**the Relevant Financial Statements**). The Audit Investigation Board (**AIB**) found that in the audit of the Relevant Financial Statements (a) the auditor failed to obtain sufficient appropriate audit evidence and to prepare sufficient audit documentation; and (b) the engagement quality control reviewer failed to perform a proper review. The AIB found that the engagement partner and the engagement quality control reviewer failed to observe section 130.1 of Code of Ethics for Professional Accountants (**the COE**). The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants (**the HKICPA**) to determine if any disciplinary actions are warranted.

On 6 August 2013, the FRC directed the AIB to conduct an investigation on the audit of the Relevant Financial Statements following the receipt of a complaint on 20 September 2012.

As a result of the investigation, the AIB found that, the auditor, in the audit of the Relevant Financial Statements, did not

- (a) obtain sufficient appropriate audit evidence to evaluate a valuer's work on material assets as audit evidence in accordance with paragraphs 8, 9 and A48 of HKSA 500; and
- (b) prepare sufficient audit documentation that enabled an experienced auditor, having no previous connection with the audit, to understand the results of the audit procedures performed, the audit evidence obtained and the conclusion reached in accordance with paragraphs 8 and 10 of HKSA 230.

The AIB found that the engagement quality control reviewer did not fully comply with paragraphs 20 and 21 of HKSA 220 in performing the engagement quality control review because he should have identified the above audit deficiencies during his review of the audit working papers. The AIB also found that both the

engagement partner and the engagement quality control reviewer failed to maintain professional knowledge and skill at the level required and act diligently in accordance with section 130.1 of the COE.

On 6 November 2014, the FRC adopted the investigation report prepared by the AIB, which summarized the findings of the investigation. The investigation report has been referred to the HKICPA to determine if any disciplinary actions are warranted. Names of the relevant parties are withheld pending the conclusion of such disciplinary proceedings, if any.

The AIB is chaired by the Chief Executive Officer and its members are full-time staff of the FRC.

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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 in relation to listed entities and to enquire into possible non-compliance with accounting requirements on the part of listed entities. The FRC has 11 members with a variety of professional backgrounds and the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.