

Press Release  
12 June 2015

## Completed investigation

On 3 June 2015, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 March 2012 (**the 2012 Financial Statements**).

The Audit Investigation Board (**the AIB**) found that the auditor failed to (i) perform adequate audit procedures to obtain sufficient appropriate audit evidence to substantiate that the income tax provision relating to the gain on disposal of a factory was determined in accordance with the relevant PRC tax laws in the 2012 Financial Statements, and (ii) obtain sufficient appropriate evidence to support their unmodified audit opinion in accordance with paragraphs 10 to 13 of HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements*.

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 10 July 2014, the FRC directed the AIB to conduct an investigation on the audit of the 2012 Financial Statements following the receipt of a complaint.

The listed entity made restatement to correct the understatement of tax provision in relation to the gain on disposal of certain land and buildings (**the Disposal**) in its consolidated financial statements for the year ended 31 March 2013.

As a result of the investigation, the AIB found that, the auditor, in the audit of the 2012 Financial Statements, did not perform adequate audit procedures to obtain sufficient appropriate audit evidence according to paragraph 13 of HKSA 250 (Clarified) *Consideration of Laws and Regulations in an Audit of Financial Statements* with reference to the explanatory material set out in paragraph A8 of the same standard, to substantiate that the income tax provision relating to the gain on the Disposal was determined in accordance with the relevant tax laws.

In light of the above and given that the understatement of tax provision was material to the 2012 Financial Statements, the auditor did not perform adequate audit procedures to obtain sufficient appropriate audit evidence to support their audit opinion on the 2012 Financial Statements in accordance with paragraphs 10 to 13 of HKSA 700 (Clarified) *Forming an Opinion and Reporting on Financial Statements*.

On 3 June 2015, 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](http://www.frc.org.hk).