

Press Release

Financial Reporting Council publishes its 2014 Annual Report

(9 April 2015, Hong Kong) The Financial Reporting Council (**the FRC**) has today published its [annual report](#) for the financial year ended 31 December 2014.

Dr John Poon, Chairman of the FRC, said, “The year 2014 has been a particularly engaging one for the FRC, full of challenges and opportunities. The Government’s proposals to reform the auditor regulatory regime in Hong Kong (**the Consultation Paper**) will widen the role and functions of the FRC, and we have submitted a detailed response to the Consultation Paper to the Government in last September. Our response, which was very much developed from the perspective of the public interest, encouraged the Financial Services and the Treasury Bureau to pursue the establishment of an auditor regulatory regime for Hong Kong that is on par with other major financial centres.”

Independence: Paramount to Audit Regulation

The FRC made it clear in its submission that, in its view, any reform should make Hong Kong eligible for membership of the International Forum of Independent Audit Regulators and achieve regulatory equivalence with the European Commission. This would enable the FRC to develop workable arrangements for cross-border regulatory cooperation. To achieve these outcomes, the governing body of Hong Kong’s auditor regulator must be wholly independent from the audit profession. The FRC meets this requirement.

Key Operations Statistics

	2014	2013
Pursuable complaints received	33	20
Modified auditors’ reports screened	171	168
Financial statements selected for review	87	75
Investigations completed	4	5
Enquiries completed	1	2

Investigations

In 2014, the FRC initiated 22 investigations and handled 10 investigations brought forward from the previous year. Four investigations were completed.

The investigation reports have been referred to the Hong Kong Institute of Certified Public Accountants (**the HKICPA**) to determine if disciplinary action is warranted. By the end of 2014, 28 investigations were in progress.

At the end of 2014, the number of investigations still outstanding showed a marked increase over those outstanding at the end of the previous year. One of the reasons for this is that there was a significant increase in the number of complaints received in the second half of 2013 and in 2014.

Enquiries

In 2014, the FRC completed one enquiry brought forward from last year, and initiated one new enquiry.

The listed entity involved in the completed enquiry complied with the FRC's request to retrospectively restate the amounts in its interim report and consolidated financial statements for the relevant periods.

Advice Letters to Listed Entities and their Auditors

The FRC also offers advice to listed entities and their auditors on ways to improve the quality of their financial reporting. The FRC issued nine letters of advice in 2014.

Review of Complaints

In 2014, we handled all 22 complaints brought forward from the previous year, along with 33 pursuable complaints received during the year. As a result, 15 investigations/enquiries were initiated. By the end of 2014, 14 complaints were under review.

Review of Modified Auditors' Reports

The FRC screened all 171 modified auditors' reports issued by auditors of Hong Kong listed entities in 2014 (2013:168). Of this total, 94 (2013:100) related to emphasis of matter that did not include any apparent auditing irregularities or non-compliance with accounting requirements, and these did not require further review. The FRC reviewed all the other 77 (2013:68) modified auditors' reports.

Risk-based Financial Statements Review Programme

In 2014, the FRC completed reviews of 25 of the 87 sets of financial statements selected in the 2013/2014 review cycle (running from July 2013 to December 2014). The FRC expected to complete the reviews of the remaining 62 sets of

financial statements by the middle of 2015.

Multi-faceted Collaboration

Representatives of the FRC made visits to the Ministry of Finance (**the MoF**) and the China Securities Regulatory Commission in the Mainland in 2014, where the representatives of the FRC shared ideas about cross-border cooperation and issues around gaining access to audit working papers for Mainland companies listed in Hong Kong. Another topic was the MoF's exposure draft of provisional regulations covering those CPA practices in Hong Kong that carry out cross-border audit services in the Mainland.

Looking Forward

Commenting on the future development of the FRC, Mr Mark Dickens, Chief Executive Officer of the FRC, said, "We are fully committed to continuing to discharge our functions as efficiently and professionally as possible, to help maintain investor confidence in the financial reporting of listed entities in Hong Kong."

Dr Poon further concluded, "Given Hong Kong's status as a major international financial centre, it is vital that it has an auditor regulatory regime that is considered to be independent and robust by major international bodies such as the International Monetary Fund, and that fully safeguards the interests of the investing public."

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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.