



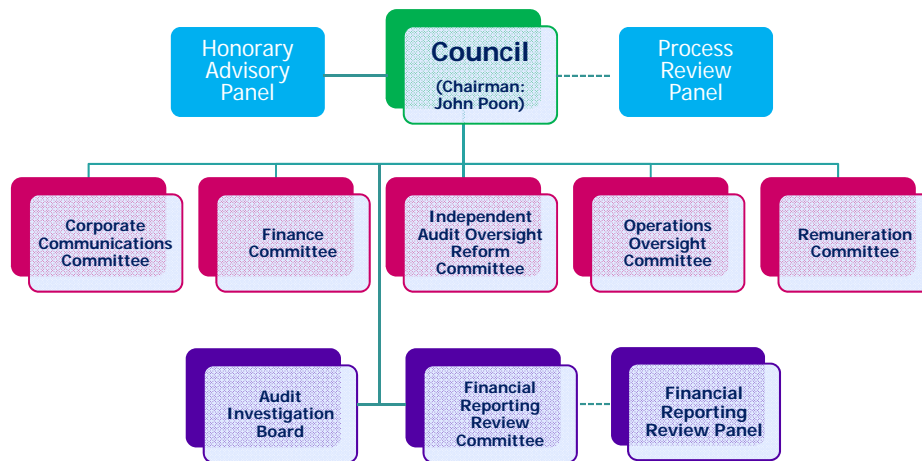
Financial Reporting Council

Annual work briefing

Highlights of 2012

- Integrity and transparency of listed company accounts and audits underpin Hong Kong's status as a global financial centre
- Mission: ensure high quality financial reporting which enhances investor protection and market integrity
- Enhancement of structure and internal procedures
 - New Council Members
 - Establishment of Independent Audit Oversight Reform Committee
 - Replacement of Tender Committee with Finance Committee
 - Expansion of Honorary Advisory Panel

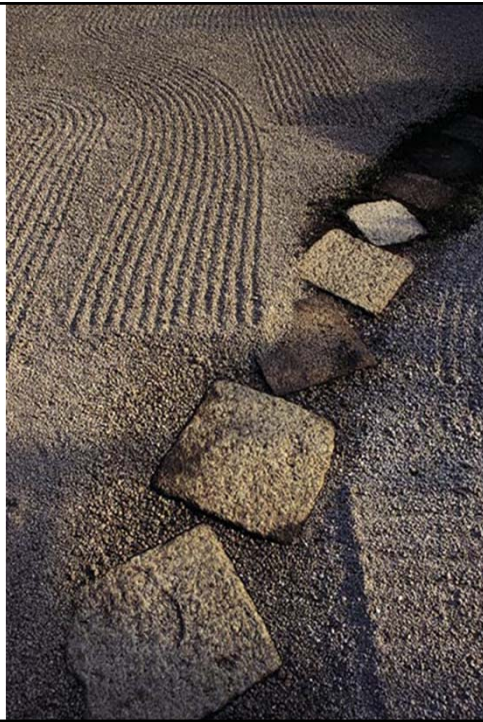
Organization structure



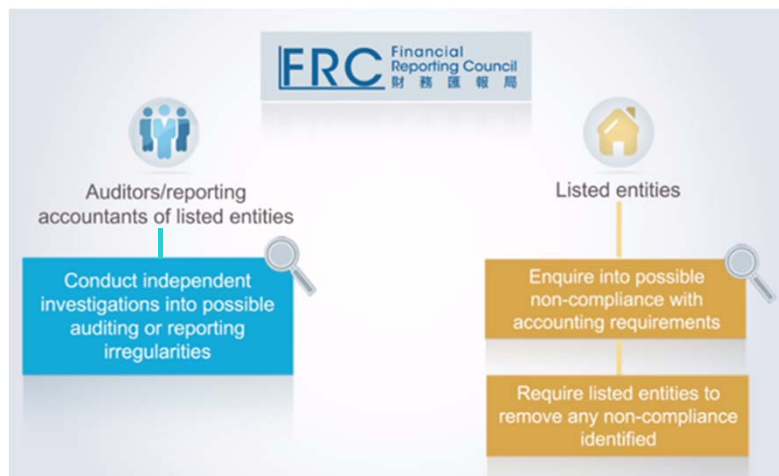
Future plans

- Independent audit oversight reform
 - Developing proposals with Government and HKICPA
 - Benchmark against international best practice and local market needs
- Continue to promote sound financial reporting
- Uphold integrity, accountability and transparency
- Maintain multi-faceted collaboration

Operations review



Role and functions



Work sources



- Complaints / Referrals
- Media reports
- Modified auditor's reports
- Risk-based financial statements review programme

Key Operations Statistics

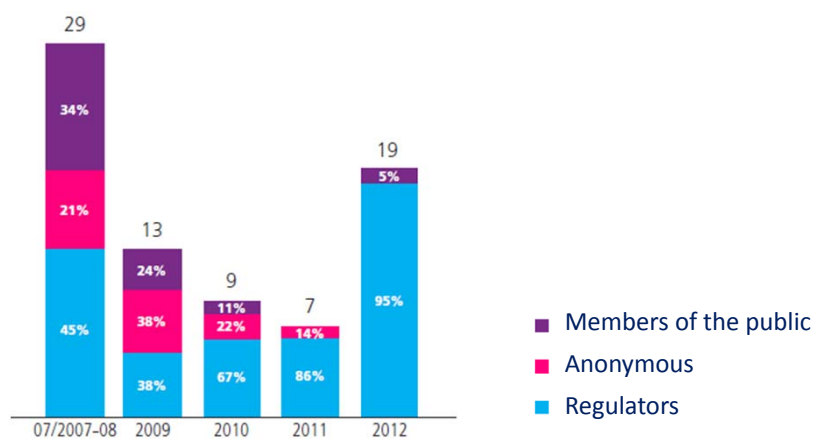
	07/2007 – 2008	2009	2010	2011	2012
Pursuable complaints received	29	13	9	7	19
Modified auditor's report screened	28 ¹	129	142	131	138
Financial statements selected for review	-	-	-	70	75
Investigations completed	-	1	1	5	9
Enquiries completed	-	3	1	2	1

¹ started from 16 July 2008

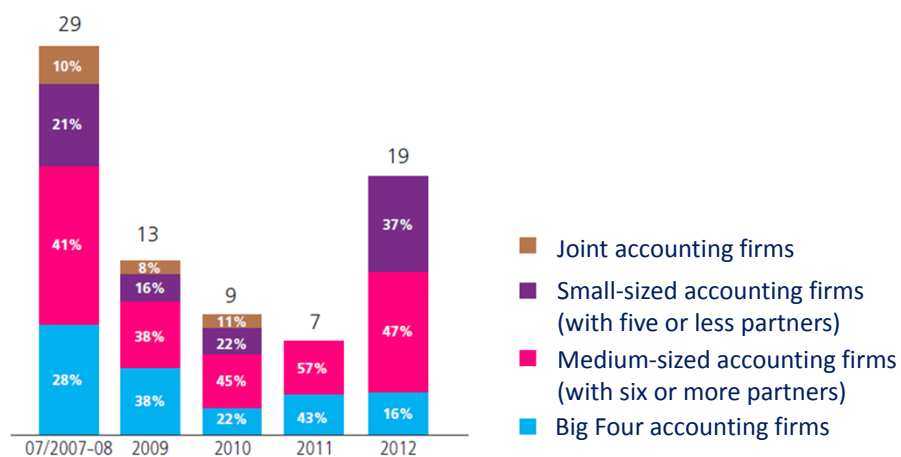
Review of complaints

	1/1/2013 – 31/3/2013	2012	7/2007 – 3/2013
Brought forward	5	1	-
Pursuable complaints received	2	19	79
Suspended	-	-	(4)
Required no follow-up action	(1)	(4)	(37)
Resolved by complainee	-	-	(1)
Referred to specified enforcement agencies	-	(2)	(9)
Initiated investigation/enquiry	-	(9)	(22)
In progress at end of period	6	5	6

Source of pursuable complaints



Firms involved in pursuable complaints



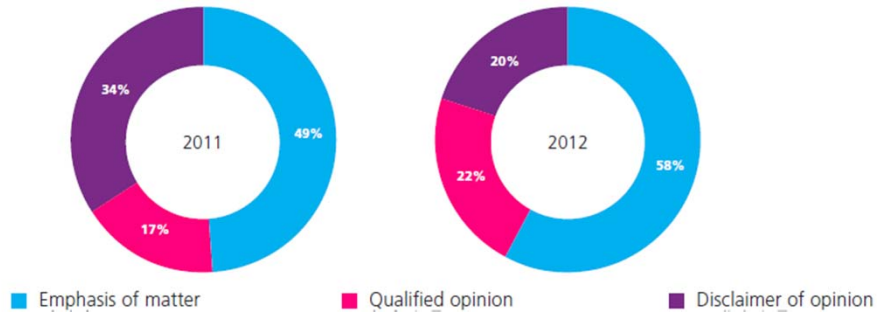
Review of modified auditor's reports

	1/1/2013 – 31/3/2013	2012	7/2008* – 3/2013
Screened during the period	31	138	599
Brought forward	3	1	-
Initiated in the period	11	63	288
Required no follow-up action	(7)	(60)	(270)
Required review of entire set of financial statement	(1)	(1)	(5)
Initiated investigation/enquiry	-	-	(3)
Referred to other regulators	-	-	(4)
In progress at end of period	6	3	6

*FRC began to review modified auditor's reports on 16 July 2008.

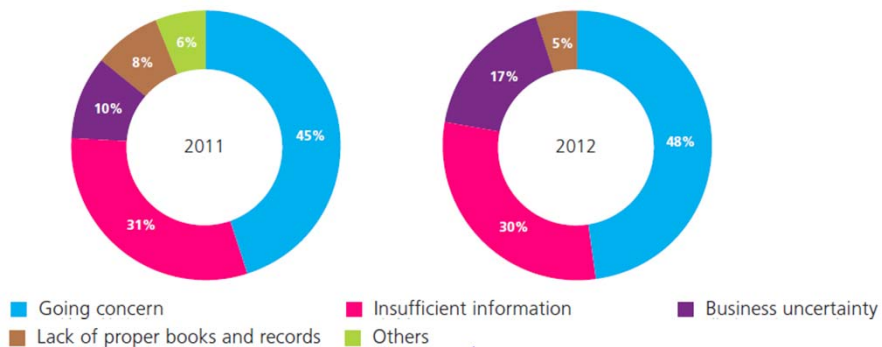
Review of modified auditor's reports

Analysis by modification



Review of modified auditor's reports

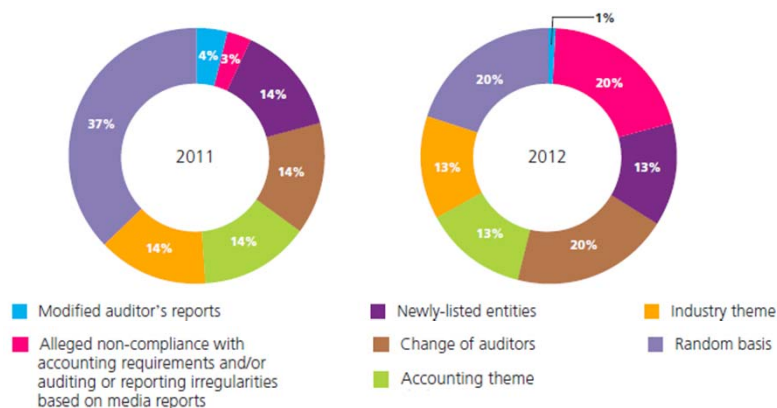
Analysis by issues



Risk-based Financial Statements Review Programme

- Objectives and scope
- Selection criteria:
 - Modified auditor's reports
 - Media reports
 - Newly listed entities
 - Change of auditors
 - Selected themes – (Agriculture & Deferred tax)
 - Random
- Co-operation with other regulators
- Mainland companies adopting ASBE

Risk-based Financial Statements Review Programme



Investigations

	1/1/2013 – 31/3/2013	2012	2011
Brought forward	8	8	7
Initiated in the period	2	9	6
Completed	(2)	(9)	(5)
In progress at end of period	8	8	8

Enquiries

	1/1/2013 – 31/3/2013	2012	2011
Brought forward	3	1	2
Initiated in the period	-	3	1
Completed	-	(1)	(2)
In progress at end of period	3	3	1

Key issues and findings

- Non-compliance
 - Business combinations
 - Impairment of assets
 - Deferred tax
 - Disclosure deficiencies
- Audit / Reporting irregularities
 - Professional scepticism
 - Sufficiency and appropriateness of audit evidence
 - Audit documentation
 - Engagement quality control

Key initiatives in 2012

- Refine internal procedures
 - Regular meetings
 - Adhere to internal procedures (PRP 2012 report)
- Maintain co-operation and communication with other regulators
- Enhance communication with public and other stakeholders
 - Financial Reporting Forum
 - eNews / Website / Radio
 - Talks to universities and other organizations

Financial Review

	2012	2011
	HK\$m	HK\$m
Income	18.2	17.3
Expenditure		
Staff cost	13.9	12.4
Legal and professional fees	0.9	1.5
Corporate Communications Expenses	0.8	0.9
Other operating expenses	0.6	0.5
	16.2	15.3
Surplus	2.0	2.0



FRC Financial Reporting Council
財務匯報局

Financial Reporting Council

www.frc.org.hk
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