

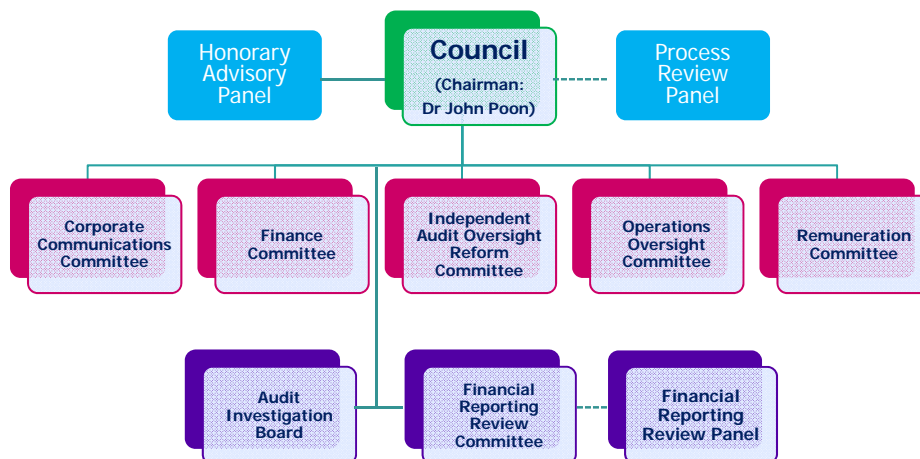


Financial Reporting Council

Annual work briefing

4 May 2015

Impartiality, transparency and professionalism



Achievements in 2014

- Multi-faceted collaboration
 - Paid visits to the Ministry of Finance and the China Securities Regulatory Commission
 - Participated in local and global conferences
- Public engagement initiatives
- Submission of recommendations on the Government's proposals to improve the regulatory regime for listed entity auditors

Looking forward

- The FRC will continue to
 - discharge the FRC's functions efficiently and professionally
 - maintain multi-faceted collaboration with other regulatory bodies
 - enhance public transparency and engagement
 - support the auditor regulatory reform in Hong Kong



Operations review

Maintaining excellence in operations

- Effective collaboration with other regulators
- Improved our Access of Information Policy
- Process Review Panel concluded that the FRC had handled the cases under the Panel's review in accordance with its internal procedures (PRP 2014 Annual Report)

Financial review

	2014	2013
	HK\$m	HK\$m
Income	20.0	19.4
Expenditure		
Staff costs	19.7	15.7
Legal and professional fees	0.1	0.6
Corporate Communications Expenses	0.8	1.0
Audit oversight research and related expenses	0.1	2.4
Depreciation charge	0.1	0.1
Impairment loss on accounts receivable	0.1	-
Other operating expenses	0.7	0.8
	21.6	20.6
Deficit	(1.6)	(1.2)

Work sources



- Complaints / referrals
- Media reports
- Modified auditors' reports
- Risk-based financial statements review programme

Key operations statistics

	2010	2011	2012	2013	2014
Pursuable complaints received	9	7	19	20	33
Modified auditors' reports screened	142	131	138	168	171
Financial statements selected for review	-	70	75	75	87
Investigations completed	1	5	9	5	4
Enquiries completed	1	2	1	2	1

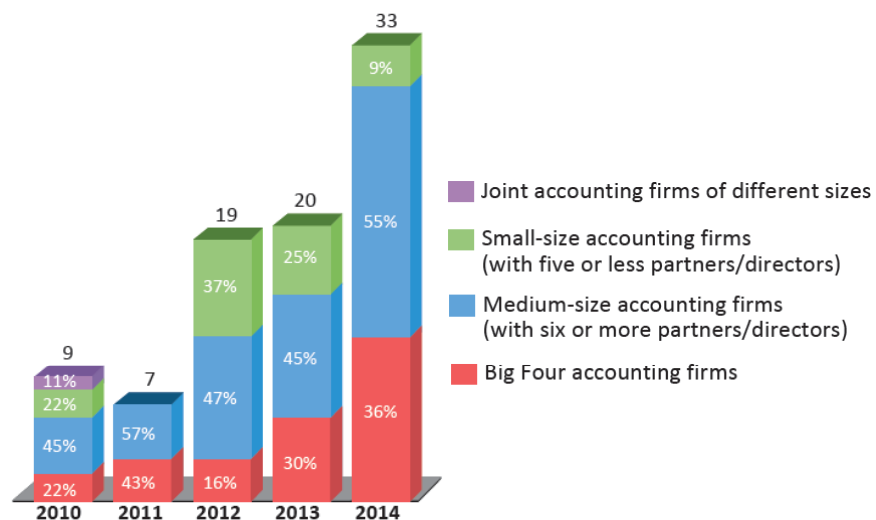
Review of complaints

	1/1/2015 – 31/3/2015	2014	2013
Brought forward	14	22	5
Pursuable complaints received	6	33	20
Suspended complaints	-	-	(1)
Recommended complaints	-	2	3
Completed with no follow-up action	(6)	(28)	(1)
Initiated investigation/enquiry	(2)	(15)	(4)
In progress at end of period	12	14	22

Source of pursuable complaints

	2014	2013
Anonymous complaints	1	-
Complaints from the public	1	3
Complaints from HKEx	6	13
Complaints from the HKICPA	5	1
Complaints from both the HKICPA and anonymous source	2	-
Complaints from the SFC	18	2
Complaints from both the SFC and the public	-	1
	33	20

Firms involved in pursuable complaints

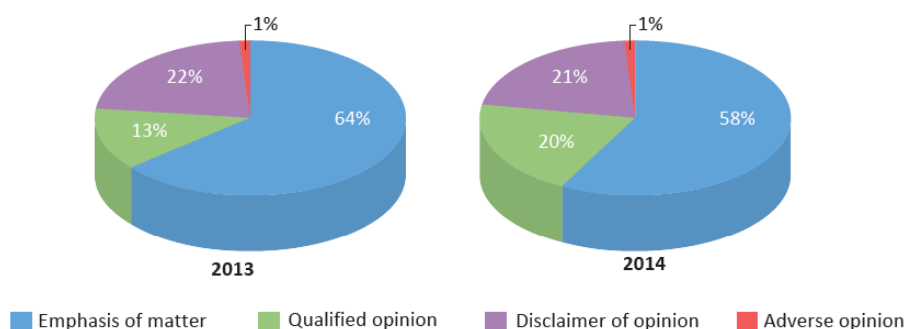


Review of modified auditors' reports

	1/1/2015– 31/3/2015	2014	2013
Screened during the period	29	171	168
Brought forward	17	13	3
Initiated in the period	12	77	68
Completed without follow-up action	(17)	(68)	(57)
Required follow-up action	(1)	(5)	(1)
In progress at end of period	11	17	13

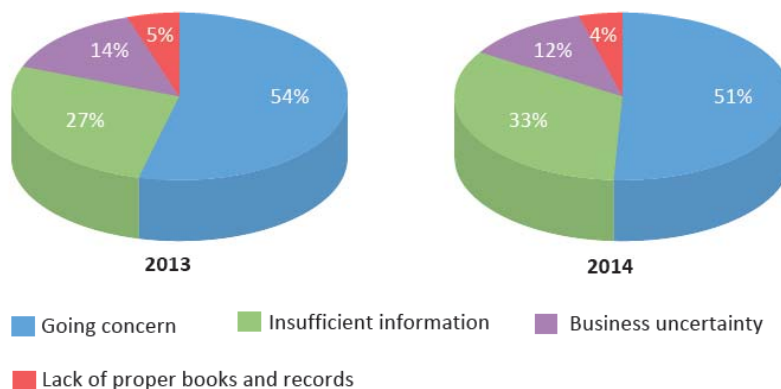
Review of modified auditors' reports

Analysis by modification



Review of modified auditors' reports

Analysis by issues



Risk-based financial statements review programme

	1/1/2015 – 31/3/2015	2014	2013
Brought forward	62	42	62
Initiated based on review of modified auditors' reports	-	-	1
Initiated based on other selection criteria	-	54	32
Completed with no follow-up action	(10)	(16)	(24)
Issued letters of advice	-	(3)	(9)
Required follow-up review	(1)	(15)	(20)
In progress at end of period	51	62	42

Risk-based financial statements review programme

Breakdown by selection criteria



Investigations

	1/1/2015 – 31/3/2015	2014	2013
Brought forward	28	10	8
Initiated in the period	2	22	7
Completed	(2)	(4)	(5)
In progress at end of period	28	28	10

Enquiries

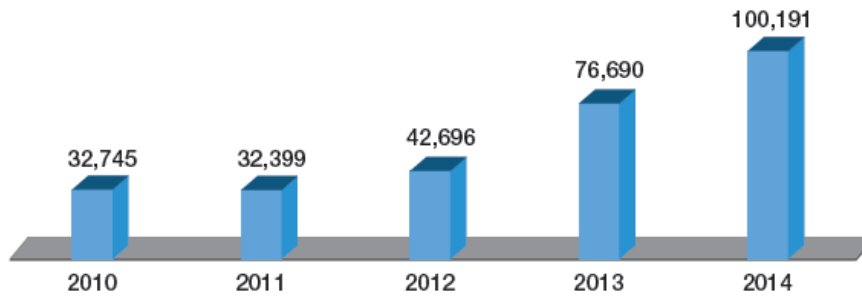
	1/1/2015 – 31/3/2015	2014	2013
Brought forward	1	1	3
Initiated in the period	1	1	-
Completed	-	(1)	(2)
In progress at end of period	2	1	1

Key issues and findings

- Non-compliance relating to
 - business combinations
 - impairment of assets
 - financial instruments
 - deferred tax
 - disclosure deficiencies
- Audit / reporting irregularities relating to
 - professional skepticism
 - sufficiency and appropriateness of audit evidence
 - audit documentation
 - engagement quality control

Traffic of the FRC Website

Number of visits to the website
(2010-2014)



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