



CB(1)955/15-16(01)

# Financial Reporting Council

May 2016

# What do we do?



**Investigate** complaints about audit failures in respect of listed entity financial statements and IPO documents

**Enquire** into complaints concerning non-compliance by listed entities with financial reporting requirements

# Financial overview

	2015	2014
	HK\$m	HK\$m
Income	29.0	20.0
Expenditure		
Staff costs	21.0	19.7
Corporate Communications Expenses	0.8	0.8
Audit oversight research and related expenses	0.5	0.1
Legal and professional fees	0.1	0.1
Depreciation charge	0.1	0.1
Impairment loss on accounts receivable	-	0.1
Other operating expenses	0.7	0.7
	23.2	21.6
Surplus (Deficit)	5.8	(1.6)

# Our public interest role

- An independent body
- Receive and follow-up on all and any complaints relating to financial reporting by entities listed in Hong Kong
- Receive and follow-up on all and any complaints relating to the audits of financial reports of entities listed in Hong Kong
- Refer identified failings to relevant regulatory bodies for follow-up/ discipline
- Publish the findings of our work

# Work sources



- Complaints / referrals
- Media reports
- Modified auditors' reports
- Financial statements review programme
- Articles/ announcements
- Prior year adjustments

# Key operations statistics

	2011	2012	2013	2014	2015
Pursuable complaints received	7	19	20	33	46
Modified auditors' reports screened	131	138	168	171	174
Financial statements selected for review	70	75	75	87	75
Investigations completed	5	9	5	4	9
Enquiries completed	2	1	2	1	0
Staff complement	15	16	18	19	18
% accounting professional staff	53%	50%	50%	53%	50%

# Investigations

	1/1/2016 – 30/4/2016	2015	2014
Brought forward	30	28	10
Initiated in the period	1	11	22
	31	39	32
Completed	(2)	(9)	(4)
In progress at end of period	29	30	28

# Enquiries

	1/1/2016 – 30/4/2016	2015	2014
Brought forward	2	1	1
Initiated in the period	-	1	1
	2	2	2
Completed	-	-	(1)
In progress at end of period	2	2	1



# Key issues and findings

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

# Other achievements in 2015

- Enhanced communication with investing public
  - Revamped FRC website with enhanced functions and more comprehensive information
  - Launched FRC page on certain social media platforms
- Multi-level collaboration
  - Constructive discussions with Ministry of Finance and China Securities Regulatory Commission
  - Participated in international conferences and events
- Held regular liaison meetings with government and other stakeholders on the topic of proposed auditor regulatory reform

# Looking forward

- The FRC will continue to
  - further strengthen the standards of professionalism and integrity of Hong Kong’s auditing profession
  - maintain multi-level collaboration with other regulatory bodies in Hong Kong, China and internationally
  - enhance public transparency and engagement
  - assist government in the legislative process and provide input regarding the ongoing listed entity auditor regulatory reform process
  - enhance our relationship with relevant authorities of other jurisdictions to pursue our investigatory role in a more effective manner



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[www.frc.org.hk](http://www.frc.org.hk)