

**For discussion
on 4 May 2020**

**Legislative Council
Panel on Financial Affairs**

**Progress Report on
the work of the Financial Reporting Council**

PURPOSE

The Financial Reporting Council (“FRC”) last briefed this Panel on its work from 1 January 2018 to 31 March 2019 on 6 May 2019. This paper updates the Panel on the milestones and work progress achieved by the FRC during the period from 1 April 2019 to 31 March 2020 (“the reporting period”) and our future work plan up to 31 March 2021.

THE TRANSFORMATION OF THE FRC

Being the independent auditor regulator of Hong Kong

2. With the enactment of the Financial Reporting Council (Amendment) Ordinance 2019 (“the Amendment Ordinance”) on 30 January 2019 and the commencement of the new auditor regulatory regime on 1 October 2019, the FRC has become the full-fledged independent auditor regulator for Hong Kong. The FRC is vested with direct powers of inspection, investigation and discipline concerning auditors of Public Interest Entities (“PIE”)¹, recognition of overseas PIE auditors and oversight of the performance of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) in respect of its functions of registration, setting of standards on professional ethics and auditing and assurance; and setting of continuing professional development requirements in relation to local PIE auditors (“the specified functions”). The FRC may also initiate an enquiry into possible relevant non-compliance with accounting requirements by PIEs. The expanded scope of statutory duties has put the FRC on a strong footing to uphold the quality of financial reporting of listed entities

¹ Public interest entities refer to corporations with issued shares or stocks listed in Hong Kong or collective investment schemes with interests listed in Hong Kong.

in Hong Kong and enhance investor protection, thereby reinforcing Hong Kong's position as a competitive international financial centre.

Enhancing corporate governance with a new governance structure

3. To fully and effectively discharge our expanded functions, the FRC has established a new governance structure. The Board, being the ultimate governing body of the FRC, comprises 15 members including the Chairman who is a non-executive director, 13 other non-executive directors and an executive director. They are all non-practitioners². Under the Board, five committees have been set up to provide advice on matters in relation to different functions of the FRC. The professional disciplines of the Board Members and the details of the five committees are set out in **Annex 1**.

Ensuring effective management and operations with a new organisation structure

4. The FRC has established a new organisation structure that dovetails with our expanded functions and strategic requirements. Commencing on 1 October 2019, the FRC has five different departments, namely the Department of Investigation and Compliance, the Department of Inspection, the Department of Discipline, the Department of Oversight, Policy and Governance and the Department of Finance and Administration.

Scaling up the talent pool

5. The FRC takes staff as the most valuable asset of the organisation. We have launched a phased recruitment programme since July 2019 to fill the newly added positions of various departments with qualified and competent staff. As at 31 March 2020, the FRC has a total of 38 staff, among which 24 are qualified professionals and 14 are administrative staff. The number of staff of the FRC before and after 1 October 2019 is set out in **Annex 1**. In anticipation

² A non-practitioner means a person who is not, or has not within the previous three years been—
(a) a certified public accountant (practising); or
(b) a partner, director, agent or employee of a practice unit.

Certified public accountant (practising) and practice unit are defined in the Professional Accountants Ordinance (Cap. 50).

of increasing workload across different functions, the FRC will continue to scale up its talent pool.

Developing comprehensive policies and procedures

6. To ensure the effective implementation of the new auditor regulatory regime, the FRC has developed comprehensive policies and procedures for its statutory functions including recognition of overseas auditors, inspection and investigation. When drafting these policies and procedures, the FRC has adopted the principles of being sensible and reasonable to avoid the situation of over-regulation or under-regulation, both of which are detrimental to the long-term development of the audit profession. These policies have been published on the FRC website on 30 September 2019 and communicated to the relevant stakeholders including PIE auditors at meetings and briefings hosted by the FRC.

Process Review Panel (“the PRP”)

7. The PRP is an independent panel established by the Chief Executive and charged with the responsibility to undertake a review of the handling of cases by the FRC to ensure that actions taken and decisions made were consistent with its internal procedures and guidelines. The PRP comprises six members appointed by the Government, including the FRC Chairman as an ex-officio member. The PRP publishes its report annually. In the 2019 PRP Report published in April 2020, the PRP concluded that the FRC had handled the six cases selected for review during the 11th review cycle (covering ongoing cases which had lasted for more than one year and those completed in 2018) in accordance with its internal procedures. The FRC will submit the new procedural manuals for its regulatory functions under the new regime for the PRP’s review and advice at its next meeting.

REPORT ON MAJOR WORK DONE

Oversight, Policy and Governance

8. Under the new regime, the FRC is empowered to have oversight of the HKICPA in respect of the performance of the specified functions relating to PIE auditors. To ensure effective oversight, a Statement of Protocol on Oversight Arrangements (“the Statement of Protocol”) with the HKICPA was signed on 27 September 2019. Pursuant to the Statement of Protocol, representatives from the FRC are observers to the respective committees of the

HKICPA responsible for the specified functions. From 1 October 2019 to 31 March 2020, the representatives from the FRC observed six committee meetings of the HKICPA.

9. A non-Hong Kong auditor intending to carry out a PIE engagement for an overseas listed entity is subject to a system of recognition administered by the FRC under the new regime. From 1 October 2019 to 31 March 2020, the FRC approved 78 recognition applications.

Inspection

10. The FRC is empowered to carry out inspections on PIE engagements completed by a PIE auditor on or after 1 October 2019. Consistent with international practices, the FRC has adopted a three-year inspection cycle in which all PIE auditors will be subjected to our inspection at least once every three years.

11. To enable us to prioritise and/or adjust our inspection plan, we have created a database of PIE audit statistics to track changes in PIE auditors, modified opinions, regulatory sanctions and other developments regarding auditors and audits.

12. To ensure that PIE auditors understand the operation of our expanded functions, the FRC has organised various outreach activities. In January and February 2020, a total of eight individual meetings and three group briefing sessions on inspection were arranged with PIE auditors whereby we explained the scope of inspection, inspection process, reporting and inspection arrangements for 2020, and addressed concerns raised by PIE auditors. The meetings and the group briefing sessions were well-attended, with 39 auditors with PIE engagements participating. The auditors found the meetings useful, informative and productive. A summary of frequently asked questions and responses arising from the meetings was posted to the FRC website on 6 March 2020.

13. In March 2020, the FRC held discussions with the Hong Kong Exchanges and Clearing Limited (“HKEX”), the Securities and Futures Commission (“SFC”) and the HKICPA to identify the possibility of sharing information so as to enable each party to better discharge its regulatory duties.

Investigation and Enquiry

Handling of complaints

14. Every complaint received by the FRC is carefully evaluated prior to determining whether to commence an investigation and/or an enquiry or to close the case. During the reporting period, the FRC received 62 complaints among which 52 were pursuable. Together with the 13 pursuable complaints brought forward from 31 March 2019, we had in our caseload a total of 65 pursuable complaints as at 31 March 2020. Out of these 65 complaints, we completed the review of 42, including the 12 brought forward from 31 March 2019. The remaining 23 complaints were under review as at 31 March 2020 and brought forward to 1 April 2020. All the complaints involved both auditing or reporting irregularities and non-compliance with accounting requirements, such as impairment of assets, recognition and measurement of financial instruments and business combinations.

Financial statements review

15. The FRC has implemented a programme called “Financial Statements Review Programme” (“the Programme”) since January 2011 under which we select financial statements of listed entities for review. The Programme allows the FRC to proactively identify possible non-compliance with accounting requirements and/or potential auditing or reporting irregularities in addition to relying on receiving complaints. Together with our vigilant daily media monitoring, the FRC has been able to take timely regulatory actions, thereby offering better protection for investors. During the reporting period, we continued with the Programme to identify financial statements for review based on various criteria³.

16. Since 2010, the FRC has been collaborating with the HKEX and the HKICPA to review a selection of companies adopting Chinese Accounting

³ The criteria include: (a) companies undertaking significant changes in business activities or undertaking new non-core business activities; (b) companies having significant assets which are subject to complex valuations; (c) companies raising funds through issuing complex financial instruments; (d) companies involved in major acquisitions or disposals during the year; (e) financial statements with significant prior period adjustments other than those reflecting a change in accounting policy or resulting from an adoption of newly introduced financial reporting standards; (f) financial statements with modified auditor’s report where there are indications of auditing irregularities in prior year’s audit; and (g) financial statements with alleged non-compliance with accounting requirements and/or auditing irregularities based on media reports/companies subject to intervention by the HKEX (e.g. to require the appointment of forensic accountants) / long-suspended companies other than shells

Standards for Business Enterprises. During the reporting period, a total of 28 financial statements were reviewed, of which 10 were conducted by the FRC during the reporting period. Major findings identified in the review of these financial statements were related to disclosure deficiencies in respect of financial instruments (such as impairment, financial risks and sensitivity analysis), fair value measurement and disclosure requirements under the Listing Rules.

Investigations

17. Investigations are initiated by the FRC as a result of identified potential or suspected auditing or reporting irregularities. The Audit Investigation Board (“the AIB”)⁴ is directed by the Board to conduct investigations in accordance with the Financial Reporting Council Ordinance (Cap. 588) (“the FRCO”).

18. During the reporting period, the FRC initiated nine investigations and handled 45 investigations brought forward from 31 March 2019 which were in our caseload due to an increased number of investigations initiated and the limited manpower in the previous year. A total of 11 investigations brought forward were completed, of which the investigation reports have been referred to the HKICPA to determine whether any disciplinary action is warranted. This left 43 investigations in progress as at 31 March 2020⁵, including one that was initiated prior to 2016, which relates to complex issues covering three years’ accountant’s report and three years’ post-listing financial statements.

Enquiries

19. Enquiries are initiated by the FRC into possible non-compliance with accounting requirements by listed entities. In respect of each enquiry, the Board appoints a Financial Reporting Review Committee (“the FRRC”)⁶ under the FRCO to look into the possible non-compliance. The FRRC determines the work to be carried out and makes its recommendations in a report for the Board

⁴ The AIB was established under section 22 of the FRCO to conduct investigations as directed by the Board. The AIB is chaired by the Chief Executive Officer of the FRC.

⁵ The number includes 11 investigation cases which involve audit working papers located in the Mainland. Please also refer to paragraph 28 below.

⁶ FRRCs are appointed by the Board from the Financial Reporting Review Panel (“the FRRP”) established under section 39 of the FRCO to conduct formal enquiries into cases of possible non-compliance with accounting requirements. As at 31 March 2020, there were nine Panel Convenors and 36 members on the FRRP.

to consider. The FRRC is supported by the staff of the Department of Investigation and Compliance of the FRC. Once an enquiry is completed, the FRC may request the listed entity involved to remove any identified non-compliance with accounting requirements, and to rectify the non-compliance either by re-issuing existing financial statements or by making appropriate prior year adjustments in subsequent financial statements.

20. During the reporting period, the FRC brought forward two enquiries from 31 March 2019 and initiated one enquiry. One enquiry was completed and two were still in progress as at 31 March 2020.

Discipline

21. The FRC has the power to impose disciplinary sanctions on PIE auditors and registered responsible persons where there has been misconduct in relation to PIE engagements completed on or after 1 October 2019. To carry out this function effectively and transparently, the FRC has developed a set of sanctions guidelines on the principles to be applied in imposing sanctions. As reported to the Panel last year, the FRC conducted a consultation and arranged meetings and briefings on the proposed sanctions guidelines with relevant stakeholders from March to April 2019. During the consultation period, we received 11 written submissions and verbal feedback from our stakeholders, with a majority of respondents supportive of the proposed sanctions guidelines. After the consultation, the FRC thoroughly considered the constructive comments received and made appropriate revisions to the guidelines. The revised guidelines were then reviewed and approved by the Board and published on the FRC website in September 2019. The FRC Guidelines for Exercising the Power to Impose a Pecuniary Penalty, a subset of the sanctions guidelines, were gazetted on 27 September 2019, as required under section 37H of the FRCO.

22. The FRC is developing the procedural manual for disciplinary cases which will include details of the disciplinary process. In developing the manual, we have conducted research into the enforcement workflow and procedures of different local and international financial regulators.

Pursuing European Commission (“EC”) adequacy status

23. The FRC has been working with the Financial Services and the Treasury Bureau to obtain the ECadequacy status under Article 47 of the Statutory Audit Directive of the European Union (“EU”). Obtaining the status is a prerequisite to the transfer of audit working papers and inspection and investigation reports between the FRC and auditor regulators of EU member states. Such status

would lead to enhanced global confidence in Hong Kong’s independent auditor regulatory system and increased collaboration opportunities with auditor regulators of EU member states. The matter is being considered by the EC.

Applying for membership of the International Forum of Independent Audit Regulators (“IFIAR”)

24. In preparation for the FRC’s membership application to the IFIAR, the FRC has been in regular liaison with the IFIAR Secretariat about the application process and the information required. On 10 and 11 October 2019, the Secretariat conducted an on-site review of the FRC as part of the application process, at which a briefing was provided to the Secretariat on the governance structure and operations of the FRC, the legal powers and regulatory functions of the FRC under the new FRCO, and the proposed inspection methodology. The Secretariat examined the inspection manual to understand the FRC’s inspection methodology, how inspection findings would be reported and what measures would be taken as a result of inspections. The FRC is in close liaison with the IFIAR Secretariat to follow up on the application.

Review on corruption prevention system of the FRC by the Independent Commission Against Corruption (“ICAC”)

25. As a responsible public body, the FRC strives to continuously enhance its administrative procedures by adopting best practices that may change with time and public expectation. This is particularly important when the FRC is undergoing significant growth in functions and scale. To this end, a liaison meeting was arranged between the FRC and the Corruption Prevention Department (“the CPD”) of the ICAC on 9 May 2019 to identify areas which might benefit from corruption prevention advice from the ICAC. Considering that the FRC was in preparation for the new regime which would entail substantial procurement, it was agreed that the procedures for procurement of goods and services would be prioritised for detailed study by the CPD. Subsequently, the FRC invited the ICAC to conduct a review from June to October 2019 on our practices and procedures on procurement of goods and services. A report containing the findings and recommendations of the review was received by the FRC in January 2020. Management of the FRC agreed, in principle, with the recommendations made and have proposed an enhancement plan for the revision of the procurement manual for the Board’s consideration. The Board approved the enhancement plan at its meeting held on 7 April 2020. We will provide the ICAC with operation manuals in respect of our new functions for review at an appropriate time.

Taking precautionary measures to contain the spread of COVID-19

26. To help contain the spread of COVID-19, the FRC has taken a series of precautionary measures since January 2020. A memo was issued to all staff regarding advice to reduce the risk of getting infected. Also, staff and visitors are requested to measure body temperature at the reception before they are allowed to enter the FRC office. Special seating arrangement has been in place to increase the physical distance between staff. We also advised employees to keep social contact to the minimum. Office hygiene is kept to the highest standard at all time by frequent cleaning and disinfection. The FRC will continue to closely monitor COVID-19 and take whatever measures that are necessary to protect our staff from the infectious disease.

Connection with Mainland and overseas regulators

27. The FRC continued to strengthen its relationship and extend its connection with international regulators and professional bodies through fruitful collaborations and constructive meetings in 2019.

28. We have further strengthened our ties with Mainland regulators to promote cross-boundary regulatory collaboration and enhance investor protection. On 22 May 2019, we signed a Memorandum of Understanding (“MoU”) with the Ministry of Finance of the People’s Republic of China (“MoF”) in relation to gaining access to audit working papers located in the Mainland. Since then, the FRC has been engaging in regular dialogue with the MoF to start the follow-up process. For those 11 investigation cases involving audit working papers located in the Mainland, requests for assistance have been made to the MoF. (Please also refer to paragraph 18 above.) The FRC also held meetings with the MoF to discuss details of future cooperation in inspection and investigation based on the MoU with a common goal of enhancing audit quality.

29. To exchange valuable experience with international regulators, we have participated in various regional and international conferences with details in **Annex 2**. The international connections we built has enabled the FRC to stay ahead of the evolving financial and auditing regulatory landscape. At the same time, we ride on the connection to promote Hong Kong’s new and internationally aligned independent auditor regulatory regime to international regulators, thereby reinforcing the city’s standing as a competitive international financial centre.

Stakeholders engagement and media relations

30. The FRC proactively engaged our stakeholders including our regulatory counterparts, PIE auditors and the general public through different platforms and communication channels. During the reporting period, the FRC continued to connect and collaborate with other financial regulators in Hong Kong. We held three liaison meetings with the SFC, four with the HKEX and four with the HKICPA to share information on cross-referrals and key findings from our respective activities, and discuss important regulatory issues.

31. In view of the outbreak of COVID-19 that might cause potential delay of results announcement of listed companies, the FRC had been discussing with the SFC, the HKEX and the Hong Kong Institute of Directors (“the HKIoD”) since late January 2020 to explore how audit quality and audit independence would not be compromised. Subsequent to our discussions, we issued the FRC half-yearly e-newsletter on 6 February 2020 which highlighted note-worthy issues and advice to remind auditors the importance of maintaining audit quality and audit independence, and preparers of financial statements and audit committees their duty on upholding the quality of financial reporting and governance in response to challenges posed by the threat of COVID-19. We also shared our views, as one of the invited panelists, at the “Coronavirus Response: HKIoD Webinar on Guidance on Results Announcements and Disclosure of Financial Information under the SFC and SEHK Joint Statement of 4 February 2020” organised by the HKIoD on 29 February 2020.

32. Noting the comment from members of the Panel last year, the FRC has spent considerable efforts in raising the profile of the FRC among major stakeholders and the public. We achieved this through effective corporate communication and media strategies. To keep the public abreast of the latest developments of the FRC, we issued press releases and half-yearly e-newsletters that provide updated information on our operations, activities and important issues related to regulatory matters. The FRC publishes an Annual Report to give a detailed account of our work progress and results achieved every year. The 2019 Annual Report was published and uploaded to the FRC website on 24 March 2020. We also held special events to promote our milestone initiatives.

33. We arranged press interviews and responded swiftly to media enquiries about the FRC and other regulatory issues. During the reporting period, a total of six media interviews with the Chairman of the FRC were arranged with local newspapers and official magazines of professional bodies such as the Law Society of Hong Kong and the Chamber of Hong Kong Listed Companies.

During the interviews, the Chairman introduced the strategies and functions of FRC under the new regime, and shared views on various regulatory issues. We are pleased to note that our stakeholder engagement and media strategies have resulted in positive response from our stakeholders and increasing number of news coverage (i.e. 120 news clippings/reports mentioning the FRC and its activities in the reporting period, which represent an increase of 43% as compared to that in the previous reporting period).

WORK PLAN (1 April 2020 – 31 March 2021)

To deliver effective regulatory outcomes

34. In 2020, the FRC will continue to fulfil its mission of upholding the quality of financial reporting of listed companies in Hong Kong and safeguarding public interest.

35. Inspection is a new function of the FRC. Our team of highly qualified and experienced professional will carry out inspection of the firm-wide quality control systems of 18 PIE auditors and approximately 40 PIE engagements completed after 1 October 2019 according to our inspection plan and schedule in 2020.

36. We will continue to handle complaints, enquiry and investigation cases efficiently and effectively by following the internal policies and procedures, setting targets in relation to our work and monitoring the regulatory outcomes. For investigation in relation to PIE engagements completed before 1 October 2019, the FRC will continue to refer cases completed to the HKICPA to determine if any disciplinary actions are warranted. For investigations in relation to PIE engagements completed on or after 1 October 2019, they will be handled by the Department of Discipline for consideration of appropriate follow-up actions.

37. Regarding our oversight function, we will oversee the HKICPA's performance on the specified functions in accordance with the Statement of Protocol signed between the FRC and the HKICPA. We will observe 14 HKICPA committee meetings from 1 April 2020 to the end of 2020. We will also perform an on-site assessment in the second quarter of 2020 and will issue a report on the HKICPA's performance from 1 October 2019 to 31 March 2020 in the third quarter of 2020.

38. Regarding recognition of overseas auditors, we will review the new applications by overseas auditors and the renewal applications for the 25 overseas PIE auditors whose recognition will expire by the end of 2020.

39. To prepare for the discharge of our disciplinary function in future, the FRC will continue to develop the procedural manual for handling possible misconduct cases. As part of our research into the enforcement practice of other financial regulators, meetings with the enforcement divisions of the SFC and HKEX have been arranged to understand their workflow and procedures, and in particular their experience in case management of oral hearings and representations. The FRC will consolidate the information collected in our research and incorporate appropriate and applicable measures into our workflow to implement a fair and efficient disciplinary process. The disciplinary manual is expected to be finalised in August 2020.

To promote good corporate governance

40. Apart from performing our statutory duties, the FRC aims at promoting good corporate governance by conducting in-depth policy research on audit and financial reporting issues. This will also strengthen industry-university collaboration, adding value to the long-term development of the financial industry in Hong Kong.

To strengthen international relations

41. Leveraging on the extensive network we have built over the years, the FRC will continue strengthening our relationship with international regulators and professional bodies including the IFIAR, the EC and the MoF to further promote cross-boundary regulatory cooperation. We plan to organise a forum on independent auditor oversight at an appropriate time when the threat of COVID-19 abates. The forum, if successfully organised, will provide a platform for local and international regulators to share valuable experience on regulatory issues of common concern.

To nurture the next generation

42. In order to cultivate the interest of university students in the accounting industry and nurture talent to reinforce Hong Kong's position as an international financial centre, the FRC will roll out a summer internship programme to provide them with an opportunity to better understand the operation of FRC. We will also launch a management trainee programme to nurture young graduates to become future leaders who are committed to the

highest level of integrity and professionalism. We will also consider launching an essay competition for secondary and university students and/or case competition for university students with topics relating to the promotion of quality of financial reporting and auditing.

FUNDING ARRANGEMENT AND FINANCIAL POSITION

43. Prior to 1 October 2019, the FRC was jointly funded by the Companies Registry Trading Fund, the HKEX, the HKICPA and the SFC. Under the Amendment Ordinance, the FRC will be funded by new levies payable by sellers and buyers of securities transactions, PIEs and PIE auditors.

44. On 8 August 2019, the Government granted a seed capital of HK\$400 million to facilitate the smooth migration of the FRC to the new auditor regulatory regime and exempt the new levies for the first two years after the implementation of the new regime. Up to 31 March 2020, the seed capital has been utilised to cover the following expenditure:

| | HK\$ (Million) |
|---|-----------------------|
| Seed capital received | 400 |
| Capital expenditure | (13.94) |
| Staff recruitment and other expenses for new functions | (3.67) |
| Subsidy of net operating expenses during the period of levy exemption | (24.73) |
| Balance as at 31 March 2020 | 357.66 |

Together with the amount accumulated in the operation/reserve accounts, the total balance of funds available for the development of the FRC was \$406 million as at 31 March 2020.

45. In previous years, the Audit Commission has audited the financial statements of the FRC. The last financial period of the FRC under the old regime covered 1 January to 30 September 2019. In this period, the combined contribution from the four funding parties mentioned above was HK\$33.99 million. The actual expenditure of the FRC for the period was HK\$30.75 million. The Audit Commission has audited the financial statements for the period of the FRC and an unmodified audit opinion was issued. No management letter point was identified by the Audit Commission. The Audit

Commission will continue to audit the FRC's financial statements under the new regime.

46. Pursuant to section 17(3)(a) of the FRCO, the first budget of the FRC under the new regime (covering the period of 1 October 2019 to 31 March 2021) was approved by the Financial Secretary. The budgeted expenditure for the period is HK\$124.39 million. As at 31 March 2020, the total expenditure is HK\$33.40 million. Major items of expenditure included staff cost of HK\$18.87 million and premises related expenses of HK\$6.21 million. As a good practice and to align with the arrangements of other financial regulators, from next year the FRC will brief the Panel on its annual budget (covering the period from 1 April in a year to 31 March in the subsequent year).

CONCLUSION

47. Amidst the challenging financial and socio-economic situations including the lingering gloomy economic outlook and the threat of COVID-19, safeguarding the quality of financial reporting and public interest are even more important. The FRC, being the full-fledged independent auditor regulator of Hong Kong, will remain steadfast in fulfilling our mission of upholding the quality of financial reporting of listed entities in Hong Kong. We trust that with our resolute efforts and the aforesaid strategies and initiatives in place, the FRC is well-poised to achieve effective regulatory outcomes in the new regime, thereby strengthening Hong Kong's status as a competitive international financial centre.

Financial Reporting Council
April 2020

FRC’s Governance Structure under the New Auditor Regulatory Regime

I. Professional disciplines of Board Members:

| Professional disciplines | No. of Board Members | % |
|---------------------------------|-----------------------------|-------------|
| Non-accounting / Non-auditing | 8 | 53% |
| Accounting / Auditing | 7 | 47% |
| Total | 15 | 100% |

II. Five committees of the FRC:

The following five committees have been set up to provide advice to the FRC on different matters. The committees comprise a majority of Board Members and Honorary Advisers with a wide spectrum of relevant professional expertise.

- (a) Investigation and Compliance Committee
- (b) Inspection Committee
- (c) Oversight, Policy and Governance Committee
- (d) Finance and Corporate Affairs Committee
- (e) Compensation and Nomination Committee

III. Number of staff of the FRC before and after 1 October 2019:

| Date | Investigation and Compliance | Inspection | Oversight, Policy & Governance | Discipline | Legal | Finance & Administration | Total |
|--------------|-------------------------------------|-------------------|---|-------------------|--------------|-------------------------------------|--------------|
| 1 Apr 2019 | 17.5 [#] | - | - | - | 1 | 7.5 [#] | 26 |
| 30 Sept 2019 | 17.5 [#] | - | - | - | 1 | 6.5 [#] | 25 |
| 31 Mar 2020 | 13.5 [#] | 8 | 4 | 1 | 2 | 9.5 [#] | 38 |

[#] One management staff is the Head of Investigation and Compliance and Head of Finance and Administration and therefore, the headcount is split between the two departments.

FRC's Participation in Regional and International Conferences

| <u>Date</u> | <u>Conference</u> |
|--------------------------|--|
| 2 April 2019 | 7 th Association of Southeast Asian Nations Audit Regulators Group Inspection Workshop |
| 30 April to 2 May 2019 | Plenary Meeting of IFIAR (as an observer) |
| 26 September 2019 | Meeting with the International Valuation Standards Council on their consultation on proposed standards and professionalism framework for business valuation in the Hong Kong market |
| 19 November 2019 | Meeting with the International Auditing and Assurance Standard Board on their project about the proposed revision of International Auditing Standard 600 on audits of group financial statements |
| 15 January 2020 | Meeting with the Supervision and Evaluation Bureau (“SEB”) of the MoF to explore collaboration opportunities on inspection and investigation |
| 19 March 2020 | Video conference with the SEB of the MoF to further discuss the way forward for cooperation in respect of inspection |
| 16, 18 and 19 March 2020 | Video conferences with the United Kingdom’s Financial Reporting Council to exchange practical regulatory experience |