

The Financial Reporting Council publishes its 2011 Annual Report

(29 March 2012, Hong Kong) The Financial Reporting Council (FRC) publishes its [annual report](#) for the financial year ended 31 December 2011 today.

Operational review

	2011	2010
Pursuable complaints received	7	9
Modified auditors' reports screened	131	142
Financial statements selected for review	70	-
Investigations completed	5	1
Enquiries completed	2	1

Commenting on the operation of the FRC in 2011, Ms. Sophia Kao, Chairman of the FRC, said: "A review of our work over the past year reveals an increase in the quantity, scale and complexity of the cases we handled. We have completed five investigations and two enquiries in 2011, including cases carried over from previous years. Undoubtedly, our work has helped maintain a true and fair presentation of the business and operational details of companies listed in Hong Kong."

In relation to the investigations completed in 2011, Dr. P.M. Kam, Chief Executive Officer of the FRC, commented, "In 2011, investigations of auditing or reporting irregularities involved different issues, including failure to adjust earnings per share for changes in the outstanding number of shares after the reporting period, failure to properly document the audit procedures on the review of working papers prepared by the auditor of an entity's subsidiaries, and failure to obtain sufficient appropriate audit evidence. Apart from one case where there was no evidence to support any auditing irregularities, all other completed investigations were referred to the Hong Kong Institute of Certified Public Accountants (HKICPA) for follow-up action."

In 2011, the FRC initiated one enquiry and completed two enquiries brought forward from the previous year. One of the completed cases related to the non-recognition of deferred tax liabilities in respect of fair value gains arising from acquisition of subsidiaries. At the request of the FRC, the listed entity concerned corrected the non-compliance with accounting requirements, and made prior period adjustments in its subsequent financial statements.

In January 2011, the FRC introduced a risk-based financial statements review programme and selected 70 sets of financial statements, with financial year-ends between 31 December 2010 and 30 November 2011, for review. The review of all these financial statements is expected to be completed by mid-2012.

In October 2011, the FRC, the HKICPA and the Hong Kong Exchanges and Clearing Limited jointly organized a financial reporting forum to share with listed entities and auditors the observations on their respective financial statements review programmes. The three organizers aimed at making the joint forum an annual event which will continue to promote quality financial reporting. The FRC has also bolstered its communications with stakeholders by publishing a e-newsletter twice a year.

Looking forward

Hong Kong has reached an important stage in terms of determining its future audit regulatory regime and how regulators and the profession work together to maintain an oversight of that regime. In this regard, the FRC will continue to provide the Government with all the support and assistance it needs, and looking forward to a regulatory and legal framework taking shape that precisely fits the needs of Hong Kong and its professionals, whilst facilitating multinational corporations to operate across various jurisdictions.

The FRC will continue to discharge its statutory duties, in the broader interests of Hong Kong, to uphold the quality of financial reporting in Hong Kong. Ms. Kao concluded, "The challenges facing Hong Kong's investment environment are likely to continue, and this in turn gives our oversight role heightened importance. We will continue to work closely with other regulators as well as the industry to promote sound financial reporting, and enhanced accounting and reporting standards, of listed companies to safeguard investor interests."

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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.