

Press Release

The Financial Reporting Council publishes its 2012 Annual Report

(28 March 2013, Hong Kong) The Financial Reporting Council (the “FRC”) has today published its [annual report](#) for the financial year ended 31 December 2012.

Mr John Poon, appointed as the Chairman of the FRC in October 2012, said, “I applaud the effectual and transformational journey of the FRC since its inception in 2007 and I look forward to contributing to its future accomplishment.”

Key Operations Statistics

	2012	2011
Pursuable complaints received	19	7
Modified auditor’s reports screened	138	131
Financial statements selected for review	75	70
Investigations completed	9	5
Enquiries completed	1	2

Investigations

During the year, the FRC initiated nine investigations and handled eight cases which were brought forward from the previous year.

In relation to the investigation work in 2012, Dr PM Kam, Chief Executive Officer of the FRC, commented, “The auditing irregularities in all the nine investigations completed in 2012 have been referred to the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) to determine if disciplinary action is warranted. I am also pleased to note that the disciplinary committee of the HKICPA has successfully taken disciplinary action against a certified public accountant and a corporate practice in April 2012 based on a referral by the Council in 2011 following an investigation.”

Enquiries

During the year, the FRC initiated three enquiries and completed one enquiry brought forward from last year. At the request of the FRC, the listed entity concerned corrected the identified non-compliance with accounting requirements, and made prior period adjustments in its subsequent financial statements.

Risk-based Financial Statements Review Programme

The FRC completed its reviews of the 70 sets of financial statements selected in the 2011/2012 review cycle and initiated one investigation case. For the 2012/2013 cycle, the FRC selected for review 75 sets of financial statements representing approximately 5% of all Hong Kong listed entities. The FRC has changed the industry focus to entities which are in the forestry and agriculture business and have adopted deferred taxation as the accounting theme.

Looking forward

It is imperative that our business and financial sectors are served by well-respected accounting professionals. Regarding the future plan of the FRC, Mr Poon said, “A key task is to work with the Government and the HKICPA to formulate proposals to further enhance the independence of the auditor oversight regime for listed companies, which is appropriate for Hong Kong and comparable with international standards and best practices. This is essential for Hong Kong to maintain its position as a major international capital market.”

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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.