Press Release

Approaching A New Era

(19 March 2018, Hong Kong) The Financial Reporting Council (the FRC) today reviewed the historical milestones of its operations over the past ten years while looking forward to the new era after the enactment of the Financial Reporting Council (Amendment) Bill (the Bill) that will bring Hong Kong’s auditor regulatory regime in line with major international capital markets.

“Auditor regulatory regimes around the world have successfully migrated from “self-regulation” to “independent oversight” and 45 jurisdictions currently have achieved dual recognition by the International Forum of Independent Audit Regulators (IFIAR) and by the European Commission (EC) as having regulatory equivalence. Such dual recognition has become the international norm and if it can be achieved by Hong Kong, the city’s status and reputation as a major international financial centre will certainly be enhanced.” Dr John Poon, Chairman of the FRC, said at the press conference.

One of the IFIAR Core Principles requires that members must have stable funding sufficient to execute their responsibilities while the EC Directive requires that the governing body of an independent auditor regulator must be comprised solely of non-practitioners (i.e. persons who have not been involved in statutory audits or been a partner of or employed by or otherwise associated with an audit firm in the previous 3 years).
Over the last decade, the FRC has processed over 400 complaints and completed almost 70 investigations and enquiries which have led to disciplinary actions against auditors of listed entities and the correction of non-compliance with accounting standards by listed entities.

Paul F. Winkelmann, CEO of the FRC, said, “We have handled and will continue to deal with all complaints and investigations with the same rigour and professionalism regardless of the size of the audit firms or listed entities involved. All parties affected are accorded due process.”

The FRC also released today the Comparative Study on Audit Oversight Functions which outlines the level of resources, including funding, and operational procedures of the regulators responsible for auditor oversight in the UK, US, Netherlands and Japan.

“We are preparing to expand our operations having regard to international best practice which are appropriate in the local context and to recruit talent with relevant competencies in order to execute the new mandate in respect of inspection, discipline and oversight.” Mr Winkelmann added.

Dr Poon concluded, “We welcome the Bill as we have advocated all along that the auditor regulatory reform is in the best interests of the investing public. We look forward to the establishment of an internationally recognised independent auditor regulatory regime which we believe will further lead to better audit quality and investor protection in Hong Kong.”
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 by auditors of listed entities and to enquire into possible non-compliance with accounting requirements by listed entities. The FRC has 11 members with a variety of professional backgrounds the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.

For media enquiries
Tel: (852) 2236 6038
Fax: (852) 2810 6320
Email: reform@frc.org.hk