

Press Release

FRC publishes a report on independent audit oversight

(10 October 2013, Hong Kong) The Financial Reporting Council (**the FRC**) today publishes a report on independent audit oversight.

To assist the Government in the process of developing reform proposals to further enhance the independence of Hong Kong's audit regulatory regime, the FRC commissioned an international comparative study by an independent consultant on independent audit oversight.

At the outset, the study reveals that audit regulators of major jurisdictions are independent of the profession with authority over at least auditors of listed entities. The report covers six jurisdictions - the European Union, the United Kingdom, the United States, Canada, Australia and Singapore. All relevant regulators in these jurisdictions meet the regulatory or equivalence requirements of the European Commission (EC) and are members of International Forum of Independent Audit Regulators (IFIAR). These two organizations, in different respects, foster cross-border cooperation and reciprocity in enforcement between regulators globally.

To obtain regulatory equivalence with the EC, the audit regulators are required to have ultimate responsibility for the oversight of registration, inspection, investigation, enforcement, standards on professional ethics and auditing, and continuing education. In addition, membership of IFIAR is confined to independent regulators that are responsible for inspection of audit firms and have investigative and enforcement powers which include fines and removal of an audit license and/or registration.

Commenting on the findings of the study, Mr John Poon, the Chairman of the FRC, said, "Following the collapse of Enron in 2002, the global audit regulatory framework has undergone a significant evolution over the past decade and is still evolving. Independent audit oversight has become the norm for international financial centres such as the United Kingdom and the United

States.” Mr Poon added, “The study confirmed that 40 jurisdictions around the world currently meet both regulatory or equivalence requirements of the EC and the membership requirements of IFIAR. Our report further explains the areas of our audit regulatory regime which require enhancement in order for Hong Kong to achieve the same status.”

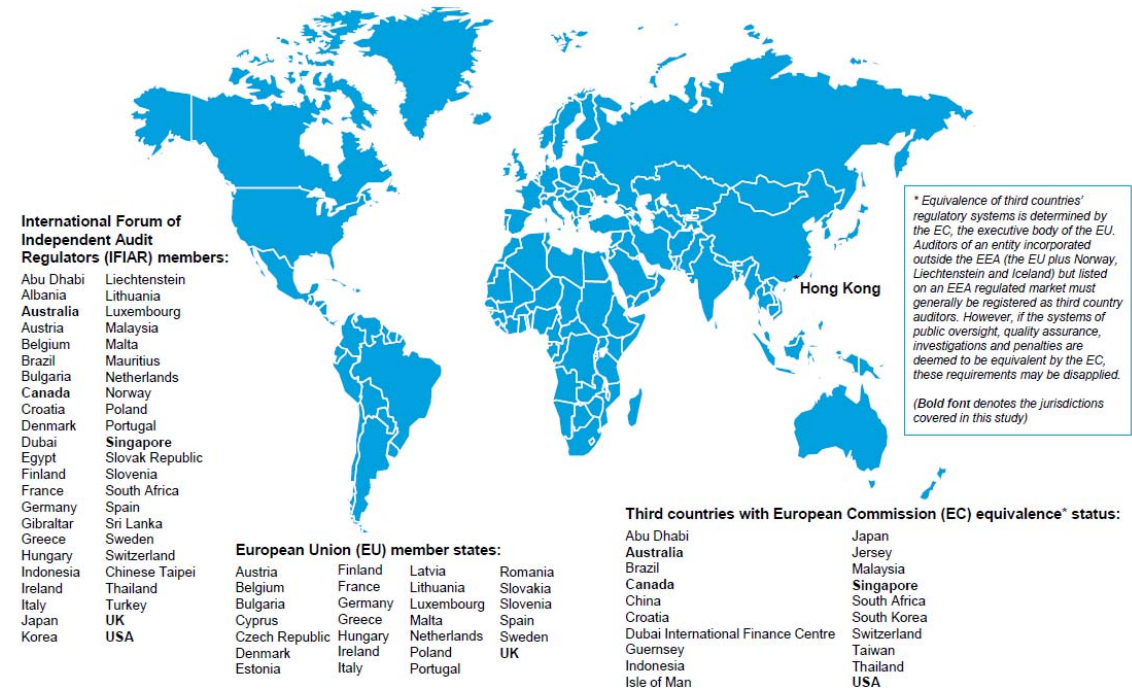
The FRC has participated in discussions on the broad framework for an independent audit oversight regime for Hong Kong. Mr Poon concluded, “We understand that the Government intends to conduct a public consultation in 2014. We believe our report will provide the stakeholders and the public with valuable information to assist them in considering the issues involved in the local context. We remain committed to actively supporting the process leading to the successful completion and implementation of independent audit oversight reform in Hong Kong”

The report on independent audit oversight is available on our website: www.frc.org.hk.

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Note to editors

40 Jurisdictions worldwide are both EC compliant and IFIAR Members.



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 diverse professional background and the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.