

January 2017

Chief Executive Officer's Message

行政總裁的話



Paul F. Winkelmann Chief Executive Officer | 衛皓民 行政總裁

This is my second newsletter and covers the 2nd half of 2016. In my previous newsletter, I outlined my three main priorities in taking up this role. We continue to work on these three priorities.

The most significant work carried out in the second half of 2016 relates to the developments in auditor regulatory reform. We considered that it was an opportune time to release our *Update on Independent Audit Oversight Report* (the 2016 Report) which focuses on how Hong Kong, through the audit regulatory reform, will meet international best practice and fulfil the requirements for membership of the International Forum of Independent Audit Regulators (IFIAR) and European Commission (EC) equivalence.

We held a press briefing on release of the 2016 Report in October, which aroused significant public interest and positive media coverage. I believe that we have communicated clearly that we see no impediments for Hong Kong to join the world of independent audit regulators and the proposed audit regulatory regime will enable Hong Kong to adopt international best practice and be in line with other major capital markets worldwide.

Based on the 2016 Report, we believe that the proposed legislative changes, as set out in the Hong Kong Government's consultation conclusions, will enable Hong Kong to meet the IFIAR membership and EC equivalence requirements, assuming that the future Council will comprise of non-practitioners only. The process of regulatory reform is still evolving and we remain

這是我任內的第二份電子簡訊，總結了本局在2016年下半年的工作。我在上一份電子簡訊中，列出了三個重點項目，未來我們將會繼續在這三個重點項目上努力。

財務匯報局在2016年下半年的最主要工作，是關於核數師監管改革的發展。我們認為這是合適的時機，發布獨立審計監管的更新報告（2016年報告）。該報告旨在解釋香港如何能夠透過核數師監管改革符合國際最佳範例，並取得獨立審計監管機構國際論壇會員資格和歐洲委員會的等效資格。

本局於10月份舉辦了一個傳媒簡介會，以發布2016年報告。該傳媒簡介會引起了大眾對核數師監管改革的關注，以及正面的傳媒報導。我們清楚地向公眾表達了本局的立場：我們看不到有任何障礙，會阻止香港成為全球獨立審計監管機構的一分子，而核數師監管改革將可讓香港符合國際最佳範例，與世界其他主要資本市場看齊。

根據2016年報告，本局相信倘若未來財務匯報局的成員只由非執業會計師出任，香港政府按其發表的諮詢總結而作出的擬議法例修訂，將可讓香港符合獨立審計監管機構國際論壇的會員資格和歐洲委員會的等效資格的規定。監管改革仍在發展當中，本局將繼續堅定不移地支持改革，使之

firmly committed to supporting it to its successful completion.

We have re-examined the financial statements review programme and have decided that we should bring this programme entirely in-house during 2017. In the past we have relied on the support of external reviewers and I am very grateful for their dedication to this exercise all of which was undertaken on an honorary basis. In line with achieving independence from the profession, and in accordance with our original intent, 2017 will see us change to bring this fully in-house.

Another priority is enhancing collaboration with other regulators. In the second half of the year, we met with the International Auditing and Assurance Standards Board (IAASB), the Association of Chartered Certified Accountants (ACCA Global Regulatory Team) and the Finance and Development Supervisory Agency (BPKP) of the Republic of Indonesia to share our views and experience in relation to global regulatory developments and the regulatory environment in Hong Kong. We have also continued to maintain dialogue with the Ministry of Finance (MoF) on suitable measures to overcome difficulties experienced in gaining access to audit working papers under current Mainland regulations. These meetings have been important in achieving across-the-board efficiencies in enforcing regulations in the Hong Kong capital market.

Appended to this newsletter is a summary of the findings of investigations completed during August to December. Common themes to note from recent investigations are the accounting for convertible bonds, valuation of assets and impairments. The accounting standards in these areas are complex and we have seen recurring failures in accounting treatment by issuers and failures by audit firms to identify the mis-treatments. I would recommend that where listed issuers enter into complex transactions they should ensure that auditors and advisors are challenged by the Board to ensure due consideration is given to the appropriate application of the standards and if necessary further experts be consulted to avoid the recurring mistakes in these areas. Documentation of the judgement calls made by management and auditors needs to be enhanced.

Consequently, where new or revised accounting standards are issued, an early determination of their effect, particularly on systems of the company, needs to be made so that the company's management, its Board and advisors have all had a chance to evaluate the implications and the appropriate accounting treatment.

The lunar new year will be upon us shortly. I take this opportunity to wish all of you a healthy, happy and prosperous new year.

Paul F. Winkelmann
Chief Executive Officer

能夠成功完成。

本局重新檢視了財務報表審閱計劃，並決定由2017年起把財務報表的審閱改為全部由本局負責。本局以往依靠外部審閱人員的協助，他們的工作純屬義務性質，在此我衷心感謝他們對財務報表審閱計劃的支持。為了進一步獨立於業界，並達到計劃原有的目的，本局決定在2017年作出改變，把財務報表的審閱改為全部由本局負責。

另一個重點項目，是加強與其他監管機構的合作。在2016年下半年，本局與國際審計及鑒證準則理事會 (IAASB)、特許公認會計師公會 (ACCA) 的全球審計監管團隊及印尼財政與建設監督局 (BPKP) 會面，就全球審計監管發展及本港監管環境互相分享心得和經驗。我們亦繼續與中國財政部溝通，以解決在現行內地法規下，就取得審計工作底稿所遇到的困難。這些討論均有助提升對本港資本市場的跨境監管成效。

這份電子簡訊的內容，包括了本局在8月至12月期間所完成的調查的摘要。我們留意到近期的調查個案，很多都涉及可換股債券的審計、資產估值和減值事項。這些範疇的會計準則都十分複雜，本局看到不少上市發行人在會計處理上反覆出現錯誤，而會計師事務所亦未能發現這些錯誤。因此，我建議上市發行人在進行複雜的交易時，其董事會應該充分質疑核數師及顧問，以確保其採用合適的會計準則，並在有需要時諮詢專家的意見，以避免重覆犯錯，而記錄管理層及核數師所作出的判斷的審計工作底稿質量亦須提升。

因此，每當有新的會計準則發佈，或於會計準則有所修改時，應及早判斷其影響，尤其是在公司的系統方面，讓公司管理層、董事會及顧問能夠檢討其影響，並採用合適的會計處理方法。

農曆新年將至，在此我謹祝大家有一個健康、愉快及豐盛的新一年！

衛皓民
行政總裁

Reporting and auditing irregularities

財務匯報及審計方面的不當行為

Background

There were possible reporting and auditing irregularities in relation to the audit of a listing applicant's financial information as included in the prospectus (the Financial Information) and the listed entity's first set of financial statements after listing (the Relevant Financial Statements).

Issues

Following the collapse of the company and accusation of fraud alert behaviour within the company, there was a question as to whether the reporting accountant/auditor had performed adequate procedures to obtain sufficient appropriate audit evidence on the Financial Information and the Relevant Financial Statements particularly in respect of turnover, operating costs and major assets.

Analysis

The investigation revealed that the reporting accountant / auditor including the engagement leader failed to

- (a) maintain a questioning mind in assessing the validity and/or reliability of documents and other information obtained from management that were used as audit evidence; and considering risks of material misstatement due to fraud;
- (b) adequately evaluate the reliability of confirmations received when there were concerns as to the source of the responses;
- (c) perform additional procedures to obtain adequate explanations and appropriate corroborative evidence to dispel matters of concern arising from results of company searches on customers and suppliers and other audit procedures;
- (d) design and perform appropriate audit procedures that are responsive to their testing objectives and related audit assertions; and
- (e) prepare sufficient and appropriate audit documentation.

Conclusion

The above relevant irregularities and the investigation report have been referred to the HKICPA to determine any appropriate follow-up action.

背景

上市實體於上市申請時刊載於招股書的財務資料(相關財務資料)及上市後首份財務報表(相關財務報表),可能存在匯報或審計方面的不當行為。

問題

在該上市實體倒閉、並被指控其內部存有欺詐行為後,令人質疑匯報會計師/核數師有否執行足夠的審計程序,尤其是就相關財務資料及財務報表中的營業額、經營開支及主要資產方面,以取得充分適當的審計證據。

分析

調查發現匯報會計師/核數師(包括審計項目合夥人)沒有:

- (a) 質疑管理層所提供的文件及其他資料的真實性或可靠性,而用作審計證據;亦沒有考慮由舞弊引致重大錯報的風險;
- (b) 充份評估所收到的證明是否可靠,尤其當回應的來源令人有所疑慮;
- (c) 執行額外的審計程序,以取得充分的解釋及確實的證據,從而釋除由查閱客戶和供應商資料及其他審計程序所產生的疑慮;
- (d) 針對其測試目的及相關審計確認程序,設計及執行適當的審計程序;及
- (e) 編製充分及適當的審計記錄。

結論

我們已將以上審計不當行為及調查報告轉介香港會計師公會跟進。

Multiple auditing irregularities

多項審計不當行為

Background

There were possible non-compliances with accounting requirements in a listed entity's consolidated financial statements relating to a business combination. These possible non-compliances related to (a) the fair value measurement of the convertible bonds issued; (b) the recognition and measurement of certain identifiable assets acquired and liabilities assumed and the related goodwill at the acquisition date; and (c) the impairment assessment of the relevant goodwill at the end of the reporting period.

Issues

- (1) A convertible bond issued as contingent consideration was not accounted for as a financial liability.
- (2) Whether the auditor had performed adequate audit procedures to identify the possible accounting errors and to challenge management's assumptions.

Analysis

The investigation uncovered the following auditing irregularities:

- (a) In respect of the convertible bonds issued in a business combination, the auditor failed to identify that part of the convertible bonds were issued as contingent consideration and should be accounted for as a financial liability. The auditor also failed to perform procedures in respect of the initial and subsequent fair value measurement of the convertible bonds.
- (b) In respect of the recognition and measurement of identifiable assets acquired and liabilities assumed and the related goodwill at the date of the acquisition, the auditor's procedures were mainly limited to relying on the acquiree's accounts and their client's management representations. Adequate procedures should have been performed to challenge the assumptions and accounting measurement principles established by management.
- (c) In respect of the impairment assessment of the goodwill, the auditor failed to challenge management on the appropriateness of the measurement basis used in the valuations of different cash-generating units in which goodwill was allocated in accordance with the relevant accounting requirements.

背景

於上市實體的綜合財務報表中，與業務合併相關的事項可能存在不遵從會計規定的事宜，當中涉及：(a) 已發行的可換股債券的公允價值的計量；(b) 於收購日，已收購的若干可識別資產和已承擔負債及相關商譽的確認和計量；及(c) 報告期末的商譽減值測試事項。

問題

- (1) 沒有將作為或然代價的可換股債券計入為財務負債。
- (2) 核數師有否執行充足的審計程序，以識別可能存在的審計錯誤，以及質疑管理層所作出的假設。

分析

調查發現以下審計不當行為：

- (a) 對於業務合併中發行的可換股債券，核數師沒有識別出部分可換股債券是作為或然代價，並應計入為財務負債。核數師亦沒有對計量可換股債券的初始和後續公允價值的計量執行情序。
- (b) 對於在收購日期，已收購的若干可識別資產和已承擔負債及相關商譽的確認和計量，核數師的審計程序主要局限於被收購公司的帳戶資料及客戶管理層的聲明。核數師應執行充足的審計程序，以質疑管理層所作出的假設和所設定的會計計算準則。
- (c) 對於商譽減值測試，核數師沒有質疑管理層用作估算不同現金產生單位的估值的計量基準(當中已把商譽按照相關會計要求而作出分配)的適當性。

Conclusion

The above auditing irregularities and the investigation report have been referred to the HKICPA to determine any appropriate follow-up action.

結論

我們已將以上審計不當行為及調查報告轉介香港會計師公會跟進。

Using the work of experts 使用專家的工作

Background

The auditor engaged an independent valuer as an expert (the Auditor's Expert) to assist in evaluating the work of the management's experts to value a mining right and a mining business. There was a possible auditing irregularity in respect of the use of the work of the Auditor's Expert during the audit.

背景

核數師聘用了一位獨立的估值師作為專家(核數師專家)，協助其評估管理層專家對採礦權及採礦業務的估值工作。核數師在審計時就使用核數師專家的工作中可能存在審計不當行為。

Issues

Whether the auditor had appropriately followed the relevant auditing standards in evaluating the work of the management's experts and the Auditor's Expert.

問題

核數師有否適當地根據相關審計準則，評估管理層專家及核數師專家的工作。

Analysis

Using the work of the experts

There was no evidence indicating that a proper evaluation on the work of the Auditor's Expert was made by the auditor under Hong Kong Standard on Auditing (HKSA) 620 *Using the Work of an Auditor's Expert*.

分析

使用專家的工作

沒有證據顯示核數師已按照 Hong Kong Auditing Standard (HKSA) 620 *Using the Work of an Auditor's Expert* 的要求，適當地評估核數師專家的工作。

The audit documentation indicated that in evaluating the management's experts, the auditor had applied HKSA 620. However, HKSA 620 deals with the auditor's responsibilities relating to the work of an auditor's expert and consequently the work performed was inappropriate in respect of evaluating management's experts whose work should have been evaluated under HKSA 500 *Audit Evidence*.

審計工作底稿顯示，核數師在評估管理層專家的工作時，是按照 HKSA 620 的要求。然而，HKSA 620 只關於核數師對其專家工作的責任，因此核數師執行關於評估管理層專家的工作並不適當。核數師應按照 HKSA 500 *Audit Evidence* 的要求，對管理層專家的工作進行評估。

Inconsistencies in audit evidence

The auditor stated that they were advised by the Auditor's Expert as to the expected value of the mining right and the mining business and that there was no matter arising. However, this was inconsistent with the opinions expressed by the Auditor's Expert that no conclusion had been reached on the reasonableness and acceptability of the valuations issued by the management's experts. The auditor did not address this inconsistency.

前後矛盾的審計證據

核數師表示，核數師專家已評估了採礦權及採礦業務的預期價值，並且沒有發現任何問題。然而，根據核數師專家發表的意見，他們並沒有就管理層專家的估值的合理性及可接受性作出結論。就此，核數師並沒有處理這方面的前後矛盾。

Inadequate evaluation of significant assumptions and source data used in valuations

The auditor failed to assess the relevance, reasonableness and appropriateness of the key assumptions applied in the

對於估值所用的重大假設及資料來源評估不足

核數師沒有就估值中採用的主要假設的相關性、合理性及適合性作出評估。

valuations.

Insufficient audit documentation

The auditor failed to record the audit procedures performed in a reconciliation between the estimated iron resources and the estimated production of iron used in the valuations. This reconciliation was an important piece of audit evidence which should have been documented in the audit working papers.

Conclusion

The above auditing irregularities and the investigation report have been referred to the HKICPA to determine any follow-up action.

審計工作底稿不足

核數師沒有記錄其對估值中採用的鐵資源及鐵產量的差異的調節所執行的審計程序。該等程序是重要的審計憑證，應該記錄在審計工作底稿內。

結論

我們已將以上審計不當行為及調查報告轉介香港會計師公會跟進。

Unresolved audit matter giving rise to qualified opinion on prior period's financial statements

就上期財務報表出具之保留審計意見 — 未解決審計事項

Background

The auditor was appointed during the year ended 30 June 2015. Due to the limitation of audit scope in connection with the inability to observe the physical counting and inspection of certain assets at the beginning and end of the years ended 30 June 2011, 2012 and 2013 (the Limitation), the auditor issued qualified audit opinions on the financial statements of the listed entity and its subsidiaries (the Group) for the years ended 30 June 2011, 2012 and 2013.

The auditor's report on the consolidated financial statements for the year ended 30 June 2014 (2014 Financial Statements) also contained a qualification on the possible effect of the Limitation on the opening balances as at 1 July 2013 and the consequential effect on the results and cash flows for the year ended 30 June 2014.

The auditor expressed an unmodified audit opinion on the consolidated financial statements for the year ended 30 June 2015 (2015 Financial Statements).

Issues

Whether the auditor should have issued an unmodified audit opinion on the 2015 Financial Statements given the fact that qualified auditor's opinions were issued on the prior year's financial statements.

Analysis

Comparative Information – Corresponding Figures and Comparative Financial Statements

Based on the description in the auditor's report on the 2014 Financial Statements, the Limitation as at 30 June

背景

一家上市實體的核數師於2015年6月30日止年度內獲委任為核數師。由於未能對上市實體及其子公司(該集團)於2011、2012及2013年6月30日止年度期初及期末的某些資產進行觀察盤點及檢查而導致審計範圍有所限制，核數師對該集團2011、2012及2013年6月30日止年度的合併財務報表出具了保留審計意見。

由於上述的審計範圍限制亦可能對該集團於2013年7月1日期初餘額以及其截至2014年6月30日止年度的業績和現金流量有相應影響，核數師就2014年6月30日止年度合併財務報表的核數師報告仍出具了保留意見。

核數師對截至2015年6月30日止年度的合併財務報表出具了無保留意見。

問題

核數師對以前年度的財務報表出具了保留意見後，應否對2015年6月30日止年度的合併財務報表出具無保留意見。

分析

比較訊息 — 對應數據及比較財務報表

根據核數師就2014年6月30日止年度的合併財務報表出具的報告中描述，上述的審計範圍限

2013 was unresolved and continued to impact the results of operations of the Group and its cash flows for the year ended 30 June 2014 which were presented as the corresponding figures to the 2015 Financial Statements.

The auditor's report on the 2015 Financial Statements should have been qualified with respect to the comparability of the current period's figures and the corresponding amounts as required by HKSA 710 *Comparative Information - Corresponding Figures and Comparative Financial Statements*.

Conclusion

The above auditing irregularity and the complaint assessment report have been referred to the HKICPA to determine any appropriate follow-up action.

制於2013年6月30日尚未解決，並繼續影響該集團截至2014年6月30日止年度的業績和現金流量。同時，此為2015年6月30日止年度合併財務報表的對應數據。

核數師應根據香港審計準則第710號 *Comparative Information - Corresponding Figures and Comparative Financial Statements* 要求，針對2015年6月30日止年度合併財務報表的本期數字及對應數據的可比性出具保留意見。

結論

我們已將上述審計不當行為及投訴評估報告轉介香港會計師公會跟進。

Key Operations Statistics 主要運作統計數字

	Jan – Dec 2016 2016年1月至12月	Jan – Dec 2015 2015年1月至12月
Pursuable complaints received 接獲可跟進的投訴	118	46
Investigations completed 完成調查的個案	11	9

Note : detailed operations statistics are available in the "[Operations Statistics](#)" section of our website.

附註：詳細的主要運作數據，載於我們的網站「[運作統計數字](#)」一節。



If you have any enquiries or comments, please feel free to contact us.
如有任何查詢或意見，歡迎與我們聯絡。

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