

From: TSAO Yea Tann Simon
Sent: Tuesday, November 05, 2013 1:17 PM
Subject: Regulatory Framework for Listed Company Audits

Dear Sir/Madam,

I refer to your Information Paper and Request for Comment dated 8th October, 2013 and wish to express my concern over the development.

By definition, audit is an independent examination of financial statements. Ironically, there is a call for an independent oversight board to overlook the audit operation. I would like to stress the fact that Hong Kong is different from other regimes in that HKICPA is the sole licensing body: unlike Europe, UK, USA which have not only one licensing body and Europe has a free admission of accountants from EU members, it is essential to establish an oversight board because otherwise the quality of output is uncontrollable. I do not see why there should be a Financial Reporting Council because it duplicates the work of HKICPA: It does not appear that Professional Accountants Ordinance (Cap. 50) can empower the Institute to 'transfer' its licensing authority to FRC!

To ensure quality, auditors must be properly remunerated but owing to keen competition, we always heard that there were omissions and non-compliance in reports. It is probably the result of frequent revision of standards, lack of human resource etc. If the demand for quality is a must, should it be a nomination of auditors by the Government and this process be extended to unincorporated bodies? Please note that audit serves to protect public revenue as well and therefore without audited accounts by such economic entities, how then can the Government revenue be secured?

If the Government wish to obtain comfort, it can request that all audit working papers be surrendered and scrutinized by SFC and/or Stock Exchange. I do not see the relevance of an IOB because it does not guarantee quality and probably deter investors by rising costs.

By law, the composition of the HKICPA is already dominated by Government influence and therefore I do not see in terms of inspection, investigation nor enforcement require any separate entity, and that these officials must have a

strong technical background and if they are not properly trained, there may be false alarm and whistle blowing and in the long term, damage the reputation of Hong Kong as a financial center.

As for CPD and Standard Setting, I have attended the forum on 28th October, 2013 and considered HKICPA as the ultimate professional authority and any deviation from existing practice is not welcomed.

We are one of the top 3 financial centers in the world and therefore, I cannot see why there should be rigorous changes: we should develop our own Asian version of regulatory framework, tailored to suit Asian needs and strengthen our position by harmonizing with other Asian countries than to do wild goose chase!

Thank you for your kind attention to the matter!

Regards,
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