

# RSM HONG KONG TRANSPARENCY REPORT 2017



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## MESSAGE FROM THE CHAIRMAN

Welcome to the 2017 RSM Hong Kong Transparency Report. This report is presented in accordance with the requirements of Article 40 of Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual financial statements and consolidated financial statements.

After our successful global brand launch in 2015, we are now focused on embedding our new brand in the market. We have experienced an exceptional year in terms of growth in business in 2016.

To address the challenges of growth and the changes in audit reporting requirements and new rules and regulations, we have enhanced our methodology and the quality of our professional work. We participated in a RSM global project to further unify and improve the audit methodology used by RSM member firms to improve quality and the consistency of audit practices.

During the year, we expanded our service line offerings. A new department, Technology Management Consulting (TMC), was set up to assist our clients in using Information Technology in their businesses. Our TMC team also provides support to our audit teams to enhance the efficiency and quality of our audits.

The key cornerstone of our firm is Quality. We compete by delivering the highest level of quality work and embrace the opportunities that come with change. We provide an environment that supports a culture of innovation and continuous improvement, and demand the very best from ourselves and our people.

In the year ahead, although there are uncertainties in the global economy and in the political environment in Hong Kong, we remain confident and continue to make investments to ensure that our people and the systems and methodologies we employ are optimised to deliver the very best service to our clients and, at the same time, to act in the public interest.



**Wong Poh Weng**  
Chairman

31 March 2017



## LEGAL STRUCTURE AND OWNERSHIP

RSM Hong Kong, a partnership of certified public accountants formed in Hong Kong in 1975, registered with the Hong Kong Institute of Certified Public Accountants (HKICPA) and is owned by its equity partners.

Through its membership of RSM, RSM Hong Kong offers responsive and quality international service. This, together with a traditional approach of providing a tailored, personalised service to all clients, makes RSM Hong Kong a more attractive and effective organisation.

Our organisation includes the following corporations providing non-attestation services:

RSM Tax Advisory (Hong Kong) Limited

RSM Consulting (Hong Kong) Limited

RSM Corporate Advisory (Hong Kong) Limited

RSM Capital (Hong Kong) Limited

RSM Hong Kong is one of the leading accounting and consulting firms in Hong Kong with over 500 staff and offers a wide range of services to local and international clients including Audit and Assurance, Taxation, Risk Advisory, Transaction Advisory, Technology and Management Consulting and Corporate Advisory. Our professionals are well-versed in accounting and auditing standards, tax and investment regulations prevailing in Hong Kong, mainland China as well as other economies which are major business partners of Hong Kong. We conform to the highest international standards.

## NETWORK

### RSM

RSM Hong Kong is a member of RSM, an international network of independent professional firms formed in 1964. RSM is the sixth largest network of independent audit, tax and consulting firms, encompassing over 120 countries, 800 offices and more than 41,000 people internationally. The network's total fee income is US\$4.9 billion.

RSM actively engages in promoting and celebrating the very best in entrepreneurship and business leadership, championing the role of the entrepreneur in today's world economy. RSM is the lead sponsor and corporate champion of the European Business Awards promoting commercial excellence and recognition of entrepreneurial brilliance.

RSM is a member of the Forum of Firms, an organisation formally established in 2002 as an association of international networks of accounting firms that perform transnational audits.

RSM is active in and fully supports the objective of the Forum of Firms which is to promote consistent and high quality standards of financial reporting and auditing practices worldwide and to support convergence of national audit standards with the International Standards on Auditing.

RSM is the brand used by a network of independent accounting and advisory firms each of which practices in its own right. RSM International Limited does not itself provide any accounting and advisory services. Member firms are driven by a common vision of providing high quality professional services, both in their domestic markets and in serving the international professional service needs of their client base.

Many of the RSM member firms are among the top six accounting organisations in their respective countries, and possess some of the best professional resources and experience available. The member firms have a broad client base from large listed and international companies to smaller, owner-managed businesses in the public and private sector. In addition to traditional assurance services, there are significant resources and experience in tax, transaction support, risk management, internal audit and corporate recovery and insolvency within RSM.

RSM connects member firms through commonly agreed and applied quality standards in order to provide clients with service and advice to a consistently high standard – everywhere in the world.

## Vision

RSM's vision is to enable the member firms to be the provider of choice to entrepreneurial growth-focused organisations who are looking for audit, accounting, tax, advisory and specialist consulting services that will create lasting success and help them reach their goals.

To ensure the focus on working toward the vision, RSM apply four crucial success factors that are known as the 'Four Cornerstones'. All activities within RSM serve the development of at least one of these cornerstones. This ensures focus and clarity in all services provided by every member firm.

- **Quality** - Quality is the absolute cornerstone for RSM
- **Business Development** - It is vital to work together to strengthen our international client base
- **People** - High quality professionals attract high quality clients
- **Brand** - A strong, internationally recognised brand is critical to our success

## Mission

RSM will consistently add value to all of our stakeholders by supporting the sustainable growth of our member firms, supporting the continuous development of human talent in our member firms and strengthening and expanding the quality and service capabilities within our global network.

## Values

RSM will build trust, act ethically and responsibly and respect differences. Every member firm is ambitious for each other and for their clients and will understand first and deliver with quality.

RSM's strategy includes increased global presence, top rankings in major economies, proactive business development plans, growth of member firms' international client base (including listed clients and cross-border work), a focus on specific sectors and service lines and enhanced training initiatives to support members in their development. There are centrally funded programmes and activities to deliver these objectives in addition to local initiatives.

The firm's strapline, "The Power of Being Understood" encapsulates our values of deep relationships based on understanding our clients' needs; a strong collaborative approach; and providing our clients with ideas and insights to help them move forward with confidence.

## GOVERNANCE STRUCTURE

The management structure of RSM Hong Kong is set in the chart at Appendix 1.

### Management Committee

The management committee comprises five senior partners and is responsible for the formulation of strategy for the consideration and approval by the partners, execution of strategies as laid down by the firm, and for the day-to-day operations. The management committee is assisted by various service and administrative departments and department heads in executing our strategies and administering the day-to-day operations. The management committee, which is appointed by the partners from time to time, currently comprises Wong Poh Weng, Stephen Wong, Eugene Liu, Chris Wong and Eric Chen.

The management committee has the overall responsibility for the maintenance, implementation and communication of the firm's Quality Assurance and Risk Containment Policies and Procedures for the professional services which the firm provides. The management committee's responsibilities include ensuring that the firm's quality assurance policies are communicated to all the firm's partners and professional staff by dissemination in appropriate briefing memoranda or through training seminars and meetings. The communication stresses that each individual has a personal responsibility for quality and is expected to comply with the firm's policies and procedures in carrying out his/her work. The management committee also has the overall responsibility for the resolution of quality assurance matters with the firm.

### Chairman – Wong Poh Weng

Wong Poh Weng joined RSM Hong Kong in 1985. He obtained a Bachelor of Science from The University of Essex and qualified (Fellow Member, The Institute of Chartered Accountants in England and Wales) with PricewaterhouseCoopers, London, in 1976. He was seconded to their Hong Kong office in 1978, heading up an audit group specialising in corporate reviews, valuations and investigations.

As Chairman of the firm, he is accountable to the Management Committee and is charged with the responsibility to manage Corporate Governance and provide leadership to the Management Committee. He is also required to ensure the strategies and policies agreed by the Management Committee and Partners are effectively implemented by the Managing Partners, and there is effective communication between the Management Committee and all Partners of the firm.

Poh Weng is also the chairman of the RSM Asia Pacific Executive Council and a member of the RSM International Board of Directors.

### **Managing Partner – Stephen Wong / Eugene Liu**

Stephen Wong qualified with PricewaterhouseCoopers, Hong Kong before joining RSM Hong Kong in 1988 where he was made a partner in 1991. He is currently the Head of Audit and Assurance. In addition, he is also a member of the Transnational Audit Services Executive Committee (TASEC) of RSM International. TASEC oversees all technical and inspection matters in the RSM Network and is also responsible for the development and maintenance of the RSM Assurance Methodology.

Eugene Liu obtained a Master of Business Administration at The University of Oregon, the U.S.A. and a Bachelor of Commerce at University of Manitoba, Canada. He qualified with Arthur Andersen & Co. in Hong Kong, joined PricewaterhouseCoopers as a Senior Manager in 1997 and became a partner in 1998. He joined RSM Hong Kong as a partner in January 2000. He is experienced in conducting audit and capital market work in Hong Kong and the People's Republic of China and has extensive experience in business valuations of closely held companies in Hong Kong.

### **Head of Audit – Stephen Wong**

As Partner-in-charge of audit and assurance, his primary responsibility is the maintenance and implementation of quality assurance and risk containment policies and procedures, which meet or exceed the relevant professional requirements of RSM and Hong Kong, for all audit and assurance services. This responsibility includes:

- Establishing and overseeing the implementation of appropriate firm policies and procedures to reasonably ensure that all audit, review and other assurance related services engagements are conducted in accordance with RSM Ethics, Continuing Professional Development, Audit and Quality Assurance and Risk Containment Policies, as a minimum, and all relevant professional standards and regulatory and legal requirements;
- Designating responsibility for the development and maintenance of the firm's audit and assurance policies and procedures which are in compliance with professional standards and legal and regulatory requirements to appropriately qualified and experienced individuals;
- Designating engagement quality control review responsibilities for audit and assurance engagements to suitably qualified individuals and assigning appropriately experienced individuals to serve as engagement quality control reviewers, where required under the firm's policies;
- Overseeing the assignment of partners to audit, review and other assurance services engagements, to ensure compliance with applicable RSM and HKICPA requirements, as a minimum;
- Resolving disagreements, if any, among members of the engagement team which could not be resolved at the engagement level; if necessary, through consultation in accordance with RSM consultation procedures;
- Maintaining a list of technical topics and other subject matters which require consultation under firm policies, that is appropriate to the firm's audit, review and other assurance services practice, and which meet, at a minimum, RSM consultation requirements;
- Establishing a process of consultation which ensures that matters requiring consultation will be addressed by consultants with the appropriate level of technical knowledge and experience, either from within or outside of the firm; and
- Coordinating the periodic monitoring of the design and operational effectiveness of the firm's system of quality assurance with RSM Policies; ensuring that deficiencies identified from a monitoring and

inspection process are communicated to all partners and professional staff on a firm-wide basis, including to the management committee, and that appropriate remedial actions are implemented within the firm.

### **Head of Practice Development – Eugene Liu**

As Partner-in-charge of Practice Development, he is charged with the following:

- Formulating and executing the firm’s practice development plan and strategies;
- Ensuring the firm’s branding and marketing strategies are in line with RSM Policies;
- Developing and overseeing the firm’s industry specialisation groups; and
- Establishing and overseeing the firm’s China Practice and Japan Practice Groups.

Apart from being Head of Practice Development, Eugene also heads the Consulting Division and Financial Services Group and Capital Market Group.

### **Partner-in-charge of Continuing Professional Development (CPD) – Gary Stevenson**

Gary is a partner in the technical department and advises the Firm’s audit and assurance practice on professional standards requirements.

Before joining RSM Hong Kong in December 2015, Gary accumulated 15 years experience in the technical departments of international accounting firms. Gary has extensive experience in the application of Hong Kong Financial Reporting Standards and International Financial Reporting Standards by listed companies in Hong Kong, Singapore and the United Kingdom.

Being the Partner-in-charge of CPD, his responsibilities include:

- Establishing, and periodically monitoring the effectiveness of the annual CPD plan which ensures that personnel at all levels are receiving the appropriate CPD which will meet or exceed RSM CPD policies and HKICPA requirements;
- Ensuring personnel at all levels are enrolled and attended CPD courses and programmes which are appropriate for their level and responsibilities and meet RSM requirements, and encouraging them to participate in any other professional activities;
- Ensuring internally developed materials have been reviewed for technical accuracy and completeness and any external training is acquired from organisations with appropriate expertise;
- Overseeing the maintenance of records of attendance or completion of CPD by personnel at all levels;
- Maintaining records evidencing the content and method of delivery, and the evaluation of CPD programmes attended or completed by personnel at all levels; and
- Ensuring the firm has an adequate library of technical and other relevant materials appropriate for the firm’s professional staff.

### **Partner-in-charge of Human Resources – Chris Wong**

Chris Wong obtained a Bachelor of Arts (Honors) from The University of Hong Kong. He joined RSM Hong Kong from Ernst & Young as a Manager in 2000 and became a partner in July 2004. He is experienced in



conducting audit and capital market work in Hong Kong and Singapore. His primary responsibilities are corporate finance and audits of companies targeting capital markets.

His responsibilities as Partner-in-charge of Human Resources include:

- Identifying the firm's personnel needs at all levels, including methods of identifying, contacting and attracting potential new employees;
- Establishing guidelines for the attributes, qualifications and experience sought for each classification of employee and hiring personnel which are appropriate for the positions for which they are hired;
- Developing guidelines for the responsibilities, skills and knowledge to be demonstrated at each partner and staff level, ensuring that personnel at all levels are aware of the responsibilities of their position;
- Ensuring that the firm evaluates the performance of all professional personnel, including partners and directors, and advises them of their progress within the firm; and
- Ensuring that advancement decisions are made on a timely and fair basis for all professional personnel, including partners.

#### **Partner-in-charge of Ethics and Independence – Stephen Wong**

As the Partner-in-charge of Ethics and Independence, he is responsible for the following:

- Adopting and implementing ethics and independence policies which meet or exceed RSM and HKICPA requirements;
- Monitoring and overseeing the implementation of procedures to ensure compliance with Ethics and Independence policies across all service lines;
- Maintaining a Global Relationship Tracker List for the firm;
- Resolving independence issues, if necessary, through the firm's consultation procedures;
- Ensuring that all personnel in the firm are knowledgeable and understand the firm's Ethics and Independence policies and procedures; and
- Coordinating the annual Independence Confirmation survey with the RSM Executive Office.

#### **Partner-in-charge of Technical – Colin Chau**

Colin Chau obtained a Bachelor of Commerce degree from The University of Melbourne, Australia. He qualified with PricewaterhouseCoopers, Melbourne in 1976 and joined the Hong Kong firm in 1977. Colin held various roles during his tenure with the firm and was last Engagement Leader in the Business Services Division.

Between 1999 and 2005 Colin was with the HKICPA and, as the Director of Compliance and Head of the Compliance Department, he oversaw the monitoring and enforcement of accounting and auditing standards in Hong Kong. Between 2005 and 2012 he worked for Hong Kong Exchanges and Clearing Limited where he was a Senior Vice President and Head of Accounting Affairs Department of the Listing Division, which is responsible for providing accounting and policy support to the Initial Public Offering, Compliance & Monitoring and the Enforcement Departments of the Listing Division.



He joined RSM Hong Kong in January 2014 as the Partner-in-charge of all technical matters. As Partner-in-charge of Technical, he is responsible for:

- The provision of technical support to all professional staff so that they are equipped with up-to-date professional knowledge necessary to discharge their duties and responsibilities;
- The update and enhancement of the firm's in-house reference materials;
- The maintenance and update of audit manuals in accordance with RSM and Hong Kong auditing pronouncements;
- The conduct of the Internal Inspection of the firm pursuant to our Quality Assurance and Risk Containment Policies and Procedures; and
- The provision of technical support to RSM member firms as and when necessary.

### **Professional Service Lines**

Each professional service line is headed by a senior partner who is responsible for all matters relating to that service line including manpower and space planning, assessment and promotion of staff, staff utilisation and general administration of the department. The current heads of professional service lines departments are:

Audit and Assurance – Stephen Wong

Taxation – Eric Chen

Consulting – Eugene Liu

Corporate Advisory and Insolvency – Osman Arab

## THE FIRM'S INTERNAL QUALITY CONTROL SYSTEM

We consider that our systems are compliant with all applicable standards, such as the Hong Kong Standard on Quality Control 1 issued by the HKICPA and the International Standard on Quality Control 1 issued by the International Auditing and Assurance Standards Board.

Our organisation structure, policies, procedures and communication programmes promote an internal culture of quality on all services provided by the firm.

The Management Committee has the responsibility for the establishment, maintenance and monitoring of the firm's internal quality control systems which include the following elements:

- Acceptance and Continuance of Client Relationships and Specific Engagements
- Human Resources
- Training and Continuing Professional Development
- Assignment of Engagement Teams
- Engagement Performance
- Supervision and Review
- Consultation
- Monitoring of Quality Control

The firm is committed to Quality and expects all our partners and staff to embrace quality, act with honesty and integrity and take responsibility for all their work. Any failure to act in this manner will result in disciplinary action.

This is reinforced in our Quality Assurance Policies and Procedures and our Staff Development and CPD Policies. All of RSM Hong Kong policies and procedures are in line with the recommendations and policies issued by RSM.

These policies, procedures and monitoring activities have provided our Management Committee with reasonable assurance that our partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued.

## Foundation of Quality (as laid down by RSM)

### Audit Quality

Quality is the absolute cornerstone for RSM. To reinforce the message that audit quality is of the utmost importance in RSM, the Executive Office develops and maintains global resources and tools for member firms, including:

- An audit methodology delivered via technology and software that is used globally
- An audit methodology manual and quality assurance and risk containment policies that are designed in accordance with international auditing, quality control, independence and ethics standards
- A comprehensive proprietary intranet service where information is housed for member firms covering topics such as auditing, financial reporting, ethics and independence requirements and training on all topics, processes and protocols enabling consultation with the Executive Office with regard to audit, independence and ethics matters
- An IFRS help desk

The overall responsibility for effective and high quality functioning of the member firm's assurance practices lies with the RSM Global Leader – Quality & Risk. The Transnational Assurance Services Executive Committee (TASEC) provides development of strategy and direction for the assurance practices which is then implemented through the RSM Global Leader – Quality & Risk and the Executive Office team. The heads of audit from member firms are also called upon to form task forces and to seek input with respect to specific needs and projects undertaken by the Executive Office.

The Global Leader – Quality & Risk is also supported in strategy implementation by assurance functional leaders for audit methodology and technology, International Financial Reporting Standards, global inspection and monitoring programmes and assurance services training.

## **Global Audit Methodology**

RSM member firms have agreed to comply with the requirements of the RSM Audit Manual and the mandatory Model Audit Programme Sheets (MAPS). The RSM Audit Manual provides an audit methodology that is risk based and includes a risk/materiality matrix providing member firm engagement teams with initial guidance with respect to appropriate responses to identified risks of material misstatement. The requirements within the RSM Audit Manual are required to be used by RSM member firms when conducting audits of financial statements.

The RSM Audit Manual complies with the requirements of the following:

- International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB)
- International Standards on Auditing issued by the IAASB
- International Auditing Practice Statements issued by the IAASB
- RSM Quality Assurance and Risk Containment Policies

## **RSM Technical Committees**

RSM has established the following technical committees, leadership and advisory groups comprised of professionals from member firms around the world. These include:

- Transnational Assurance Services Executive Committee responsible for setting the audit methodology and other audit related policies
- IT Advisory Committee actively engaged in the review, analysis and support of the IT infrastructure
- International Tax Leadership Group which supports and develops quality control standards for tax services

## **RSM Centres of Excellence (CoEs)**

CoEs play a critical part in our international business development efforts. The CoEs are groups of professionals from different member firms who aim to establish standard practices, ensure seamless regional delivery and align our resources to enable targeting of mid-size and larger, more sophisticated companies. Based on the needs of the network, the CoEs are globally coordinated and organised on a regional basis.

### **Transnational Assurance Services Executive Committee (TASEC)**

As an executive committee of the RSM International Board of Directors, TASEC is responsible for developing, promulgating and monitoring compliance with all standards issued by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). TASEC is also charged with monitoring the operation of quality assurance activities conducted by the Executive Office, including the approval of due diligence reports for the admission of new member firms, the approval of member firm inspection reports, and action plans to address deficiencies noted during the global inspection programme. Other responsibilities of TASEC include developing, promulgating and monitoring compliance with the:

- Requirements of the RSM Audit Manual and RSM Model Audit Programmes
- Non-service line specific and assurance services requirements of the RSM Quality Assurance and Risk Containment Policies
- Requirements of the RSM Assurance Services Training and Continuing Professional Development Policies
- Requirements of the RSM Ethics and Independence Policies
- Requirements of the Policies and Procedures for the Global Inspection Programme and Member Firm Inspection Programme

TASEC also recommends sanctions against member firms and professionals as a result of non-compliance with the Committee's directives.

According to its charter, TASEC shall consist of five to nine members of suitably qualified and experienced audit partners or audit directors from member firms. The chair of TASEC is selected by the RSM International Board of Directors from the members of the Committee and serves for a term of three years and can be re-nominated at the end of the three year term.



## Acceptance and Continuance of Client Relationships and Specific Engagements

It is our policy to accept engagements only with those clients who fit the firm's key acceptance criteria. Such criteria includes client integrity, independence, understanding of the client's needs and service requirements and our capabilities in terms of resources and expertise to perform the work required by the client and to render the necessary reports.

It is our policy to obtain such information as considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement and when considering acceptance of a new engagement with an existing client. Our KYC (know your client) procedures include obtaining all information that is publicly available and carrying out reference checks with security organisations such as World-Check One of which we are subscribers. This evaluation and re-evaluation is documented and approved by the engagement partner.

In circumstances where issues are identified including any firm conflict or personal conflict of interest, the engagement partner is required to consult, and to document the consultation, with one or more specified individuals before accepting or continuing an engagement or relationship. The level of approval required to accept a client depends on the risk assessment. Prospective and existing clients assessed as high risk require approval by our Client Acceptance Committee.

## Human Resources

RSM Hong Kong has developed and maintains hiring policies and procedures to provide reasonable assurance that individuals are recruited and hired on a timely basis to meet our human resource requirements. An annual recruiting plan is prepared based on projections anticipating expected growth, turnover, advancements, retirements and other factors.

Our personnel needs and hiring objectives are communicated to those involved in hiring. Individuals who are recruited and hired have integrity and the motivation and aptitude for the profession and have adequate educational background and qualifications appropriate for the positions for which they are hired. The stages of recruitment include application by form or resume, interview, reference check, offer made and offer accepted.

RSM Hong Kong has eight formal levels of career development across all divisions of the firm. Our career development plan (CDP) specifies relevant subject knowledge, competencies and training for each of these career levels. This includes both technical knowledge and behaviours.

The structure and content of the CDP forms the basis of the performance appraisal process and is an integral part of assessing the progress and capability of all staff. The performance of each professional is continuously evaluated by individuals who are most familiar with the professional's performance. Each professional is assessed every six months as at 1 January and 1 July and formally advised of progress, strengths and weaknesses, future objectives and their development plan by means of an evaluation meeting with an appropriate manager and/or partner/director and the results recorded in an online system such that performance can be monitored over an extended period of time.

Advancement decisions are based on performance evaluations so that those selected for advancement have the qualifications and experience necessary for fulfilment of the responsibilities they will be called upon to assume and have the necessary commitment to, and understanding of, the firm's ethical requirements and quality assurance and risk containment policies.

Personnel files are maintained by the Human Resources division which include details of career development, experience, performance evaluations and qualifications. Professional development courses are maintained on the staff training records database.

## Training and Continuing Professional Development (CPD)

A firm-wide in-house training programme is prepared on an annual basis. Each staff has to attend the training programme as specified by each service line for the respective grade of professional staff.

Attendance records are maintained and details added to the training database. Attendance is compulsory and any non-attendance is dealt with accordingly. All participants complete evaluations on the conferences and presenters and this information is collated by the Partner-in-charge of CPD and reviewed by the heads of each professional service line.

Each qualified partner/director and professional employee must complete a minimum of 120 hours CPD (including unstructured CPD) in every three-year period. At least 20 hours must be completed annually. This policy is consistent with the requirements of the HKICPA.

RSM Hong Kong Assurance Services Training and CPD policies require all partners/directors and qualified professional employees to develop and maintain competencies relevant and appropriate to their work and professional responsibilities. The responsibility for developing and maintaining competence rests primarily with each individual partner/director and qualified professional employee.

Professional staff are also encouraged to attend external training relevant to their grades and service lines. The firm will reimburse the staff for the appropriate training cost.

As a member firm of RSM, the firm is required to create and maintain training and CPD programmes that provide partners/directors and professional employees with adequate training and training updates (covering changes to underlying rules and standards) in the following areas:

- Audit Methodology and Hong Kong Auditing Standards;
- Ethics and Independence Policies and Procedures;
- International and Hong Kong Financial Reporting Standards;
- Relevant taxation laws which effect the determination of amounts and disclosures in audited financial statements;
- IT applications used by partners/directors and professional personnel for their employment duties and as evaluators of IT systems in the audit of financial statements; and
- Industry or product specific knowledge and understanding.

## Assignment of Engagement Teams

The head of each professional service line is responsible for establishing and maintaining suitable processes for the assignment of a lead partner to take responsibility for each engagement on behalf of the firm. They also ensure that the basis upon which assignments are made is reviewed regularly and that it includes the requirement that the identity and role of the engagement partner are communicated to the key members of client management and those charged with governance. The responsibilities of the engagement partner are clearly defined and communicated.

The engagement partner is responsible for ensuring that the engagement team has the appropriate expertise, ability and time to perform the engagement in accordance with professional standards and applicable local regulatory or legal requirements, to enable an appropriate report/other deliverables to be issued in the circumstances.

## Engagement Performance

The head of each professional service line is responsible for ensuring each principal service line develops specific performance and documentation requirements for services provided in their service line, including the form and content of workpapers.

The engagement partner has the overall responsibility for the direction, supervision and performance of the engagement in compliance with applicable professional standards, regulatory and legal requirements and for ensuring an appropriate report is issued.

Specific responsibilities to ensure quality control include:

- Ensuring engagement team compliance with ethical and independence requirements;
- Ensuring appropriate acceptance and continuance procedures are performed and documented;
- Ensuring engagement team has appropriate competence and experience;
- Ensuring an engagement quality control reviewer (EQCR) is assigned, where required;
- Ensuring appropriate consultations take place;
- Reviewing work performed to ensure it is compliant with applicable professional standards, regulatory and legal requirements and supports the conclusion;
- Ensuring report or other deliverables are in accordance with the terms of the engagement and any specific policies applying to the type of engagement; and
- Considering whether any deficiencies arising from the monitoring and inspection process have any effect on the engagement.

## Supervision and Review

The level of supervision and review will vary with the type of engagement and composition of the team. Each principal service line is responsible for determining specific review requirements for services they provide. As a minimum, review requirements should ensure that work has been properly carried out, concluded upon and documented in accordance with any additional service line policies. In addition the review should ensure that there is a reasonable basis for the opinions, presentations or conclusions expressed in the report or other deliverables.

RSM Quality Assurance and Risk Containment Policies and Procedures require engagement quality control reviews (EQCRs) to be conducted for any engagement or a client relationship in specified circumstances which indicate an engagement or client to be of higher than normal risk. This will include engagements with regulated/listed entities, other major public interest entities and entities operating in designated high risk industries.

The purpose of an EQCR is to provide the firm with assurance, in high risk situations, that adequate work has been performed and supporting evidence obtained and properly evaluated, in support of the report or other deliverables prior to their release. It provides an objective evaluation of the significant judgements made by the engagement team, the conclusions reached in formulating the report or other deliverables and the compliance with applicable professional standards, regulatory and legal requirements.

The head of each professional service line is responsible for assigning an EQCR to an engagement. An EQCR is required to be an independent partner, or other suitably qualified person or team, who is not engaged in the performance of the engagement or the provision of other services to the client entity or group of entities. They are required to have the necessary authority, technical competence and industry sector experience to perform an independent review of the quality of the particular engagement or service provided to the client entity or group of entities to which they have been assigned. For example, an engagement quality control reviewer assigned to the audit of a listed entity should be an individual who has sufficient experience and authority to serve as an engagement partner on audits of listed entities.

## Consultation

Our professionals are expected to seek assistance from persons possessing specialised knowledge and expertise whenever they encounter situations where they lack sufficient knowledge and experience and in certain specific situations prescribed by RSM Quality Assurance and Risk Containment Policies and Procedures. The engagement partner is responsible for ensuring that the issue on which consultation was sought and the results of the consultation - including the decisions taken, the basis thereof and how those decisions were implemented - are fully documented and agreed with the persons consulted.

## Monitoring and Quality Control

### Global Inspection and Monitoring Programmes

In the relentless pursuit of quality, RSM has developed both individual member firm inspection and monitoring programmes as well as RSM's global inspection and monitoring programme. Under the joint operation of these programmes, RSM member firms are provided with the necessary information with regard to the design, implementation and operating effectiveness of their quality control practices surrounding their assurance practices.

Each individual RSM member firm is required to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control over its assurance practice are relevant, adequate, operating effectively, are aligned with RSM expectations and all professional and regulatory requirements.

RSM policies require a partner to be specifically assigned as the partner responsible for the Member Firm's Inspection Programme. These responsibilities include:

- The maintenance of policies and procedures for the inspection programme, which will meet or exceed RSM and local inspection requirements
- The overall planning of the programme including office rotation, scope, selection of inspection teams and appointment of team captains, selection of engagements for review, the development and issuance of inspection instructions, training and documentation requirements
- Overall supervision of the programme and the inspection teams
- The summarisation and communication of inspection results and conclusions
- Monitoring the implementation of corrective action plans

The Partner-in-charge of Audit and Assurance is required to communicate deficiencies noted as a result of the inspection process to the relevant engagement partners and personnel, including recommendations for appropriate remedial action (which may include changes to the firm's quality control policies and procedures or disciplinary action for repeated failure to comply with Firm policies). Deficiencies are also analysed to assess the need to modify future training programmes.

An inspection programme report is submitted to the RSM Executive Office on an annual basis commenting on the process and results of the inspection, any deficiencies identified and the remedial actions and recommendations that will be implemented to address them.



Under RSM's global inspection programme, RSM periodically oversees and/or participates in all member firm inspection programmes on a cycle not exceeding three years. Such inspections are referred to as globally coordinated inspections. RSM globally coordinated inspections are conducted by independent qualified partners and senior personnel of other member firms under the direction of the Executive Office personnel and the RSM Global Leader – Quality & Risk. The RSM global inspection programme is also designed to meet the membership obligations of the Forum of Firms, of which RSM is a member network.

The RSM Executive Office prepares, on behalf of TASEC, an annual summary report based on all of the member firm inspection reports for the year. This report presents the status of quality and alignment within RSM and also includes recommendations, where appropriate, for centralised network-wide actions to be taken (for example changes to RSM policies and procedures, development of training material and other support initiatives). Once approved by TASEC, this report is formally presented to the RSM Chief Executive Officer and the RSM International Board of Directors.

### **External Monitoring and Inspection**

External monitoring is currently conducted by the Hong Kong Institute of Certified Public Accountants pursuant to its Practice Review Programme. Pursuant to the policies and guidelines under the Practice Review Programme, a full Practice Review is conducted every three years and an interim review is run in between.

The last completed quality assurance review performed by the HKICPA was in November 2015. The results of practice reviews are not publicly available.

## PUBLIC INTEREST ENTITIES

Public interest entities as defined under paragraph 290.25 of Code of Ethics for Professional Accountants issued by the HKICPA are:

- (a) All listed entities; and
- (b) Any entity (i) defined by regulation or legislation as a public interest entity or (ii) for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Public interest entities listed in Hong Kong or elsewhere as at 31 December 2016 in respect of which RSM Hong Kong is the appointed auditor are:

AcrossAsia Limited  
AMVIG Holdings Limited  
Beautiful China Holdings Company Limited  
Beijing Beida Jade Bird Universal Sci-Tech Company Limited  
Bonjour Holdings Limited  
CECEP COSTIN New Materials Group Limited  
China Financial Leasing Group Limited  
China Fire Safety Enterprise Group Limited  
China Greenfresh Group Co., Ltd.  
China Haisheng Juice Holdings Co., Ltd.  
China Healthcare Enterprise Group Limited  
China Innovationpay Group Limited  
China Weaving Materials Holdings Limited  
Combine Will International Holdings Limited  
Datang International Power Generation Co., Ltd.  
Doyen International Holdings Limited  
Earnest Investments Holdings Limited  
ENM Holdings Limited  
First Credit Finance Group Limited  
Fortune Sun (China) Holdings Limited  
GET Holdings Limited  
GINSMS Inc.  
Gold Tat Group International Limited



Grand Ocean Advanced Resources Company Limited  
Greens Holdings Ltd  
Heng Tai Consumables Group Limited  
Hengtou Securities  
Imperium Group Global Holdings Limited  
Infinity Development Holdings Company Limited  
Jian ePayment Systems Limited  
Jutal Offshore Oil Services Limited  
Ka Shui International Holdings Limited  
Kaisun Energy Group Limited  
K. H. Group Holdings Limited  
Luxey International (Holdings) Limited  
New Sports Group Limited  
Nine Express Limited  
Overseas Chinese Town (Asia) Holdings Limited  
PICO Far East Holdings Limited  
Prosperity International Holdings (H.K.) Limited  
Seamless Green China (Holdings) Limited  
Shentong Robot Education Group Company Limited  
Smartac Group China Holdings Limited  
Union Asia Enterprise Holdings Ltd  
United Energy Group Limited  
Vincent Medical Holdings Limited  
Youyuan International Holdings Limited

## INDEPENDENCE AND ETHICS POLICIES

RSM Hong Kong maintains independence and ethics policies to provide reasonable assurance that partners and professional employees comply with the independence and ethical requirements of the following:

- Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants (IESBA)
- Code of Ethics for Professional Accountants issued by the HKICPA
- RSM Ethics and Independence Policies

Our Partner-in-charge of Ethics and Independence is responsible for independence, whose responsibility it is to augment these policies, as necessary, to the specific requirements of our firm to reflect additional local ethical codes or regulatory requirements, which establish higher standards than those reflected in basic independence and ethics policies. Any amendments made to the basic policies to include additional local requirements must be submitted to the Executive Office of RSM for review and must be approved by the Global Leader – Quality & Risk. Partners or professional employees who have any questions regarding the RSM Ethics and Independence Policies are required to consult promptly with our firm’s partner responsible for independence. If the partner responsible for independence has a question regarding these policies, he should consult with the Executive Office of RSM.

We are required to maintain a list of all clients to which the RSM Ethics and Independence Policies apply. The list is made available to all partners and professional employees. Additions and deletions to the list are made available, when they occur, to all partners and professional employees.

Partners and professional employees are required to annually complete an independence compliance questionnaire confirming that he or she:

- has read the RSM Ethics and Independence Policies;
- has read the firm’s Ethics and Independence Policies;
- understands their applicability to his or her activities; and
- is, and has been for the past year, in compliance with those policies.

Any qualifications to such confirmation have to be fully explained in writing and corrective action taken.

### Relationship and Conflict of Interest Tracking

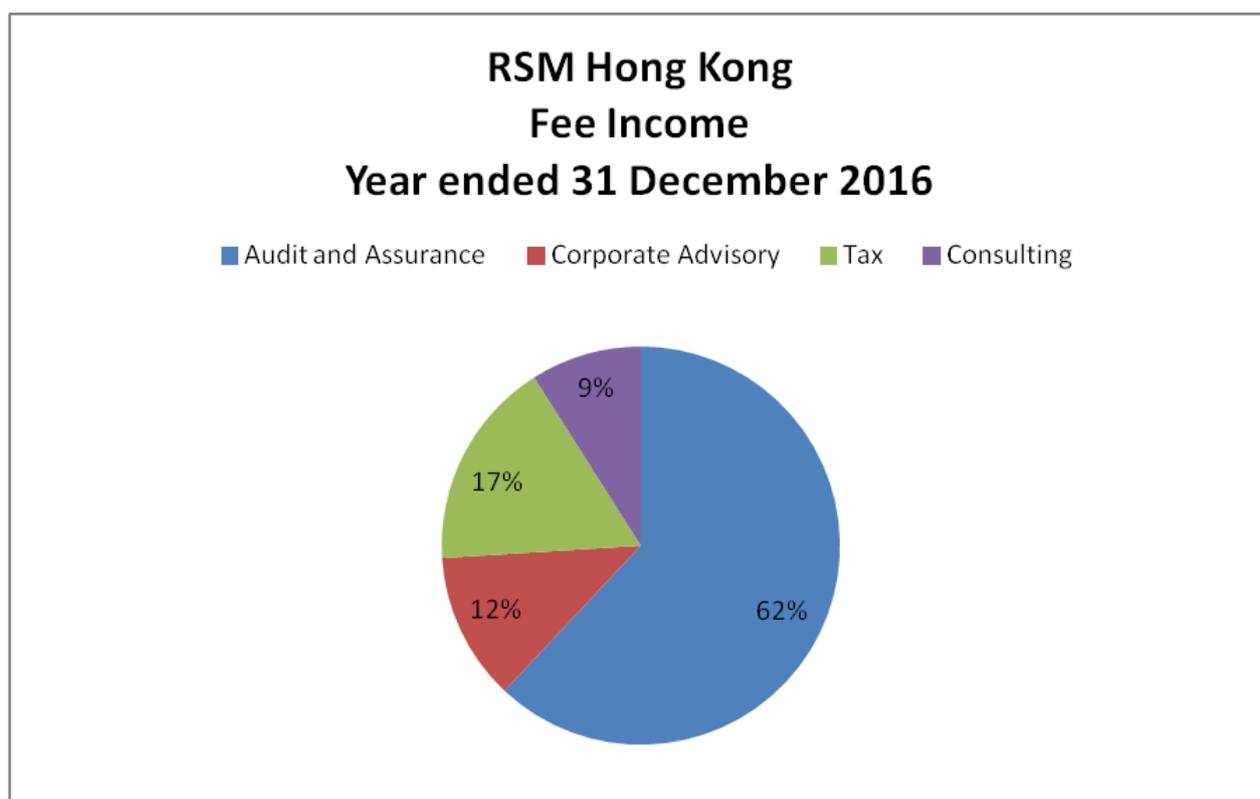
All member firms of RSM, including RSM Hong Kong, maintain an online relationship and conflict of interest tracking tool called the Global Relationship Tracker (GRT). This tool holds data of all Public Interest Entities (which includes listed entities) and, where necessary, private equity groups that are assurance or non-assurance clients of member firms. In addition, all clients (both assurance and non-assurance) that are subsidiaries of, or otherwise affiliated with Public Interest Entities and, where necessary private equity groups, regardless of whether the parent is a client, are required to be included on the GRT.

## FINANCIAL INFORMATION

As at 31 December 2016, RSM Hong Kong has 47 partners, principals and directors and over 500 staff offering a wide range of professional services which can be divided into the following broad categories:

- Audit and Assurance including assignments as reporting accountants
- Tax Compliance and Advisory services
- Corporate Advisory and Insolvency services
- Risk Advisory services
- Transaction Advisory services
- Technology Management Consulting services

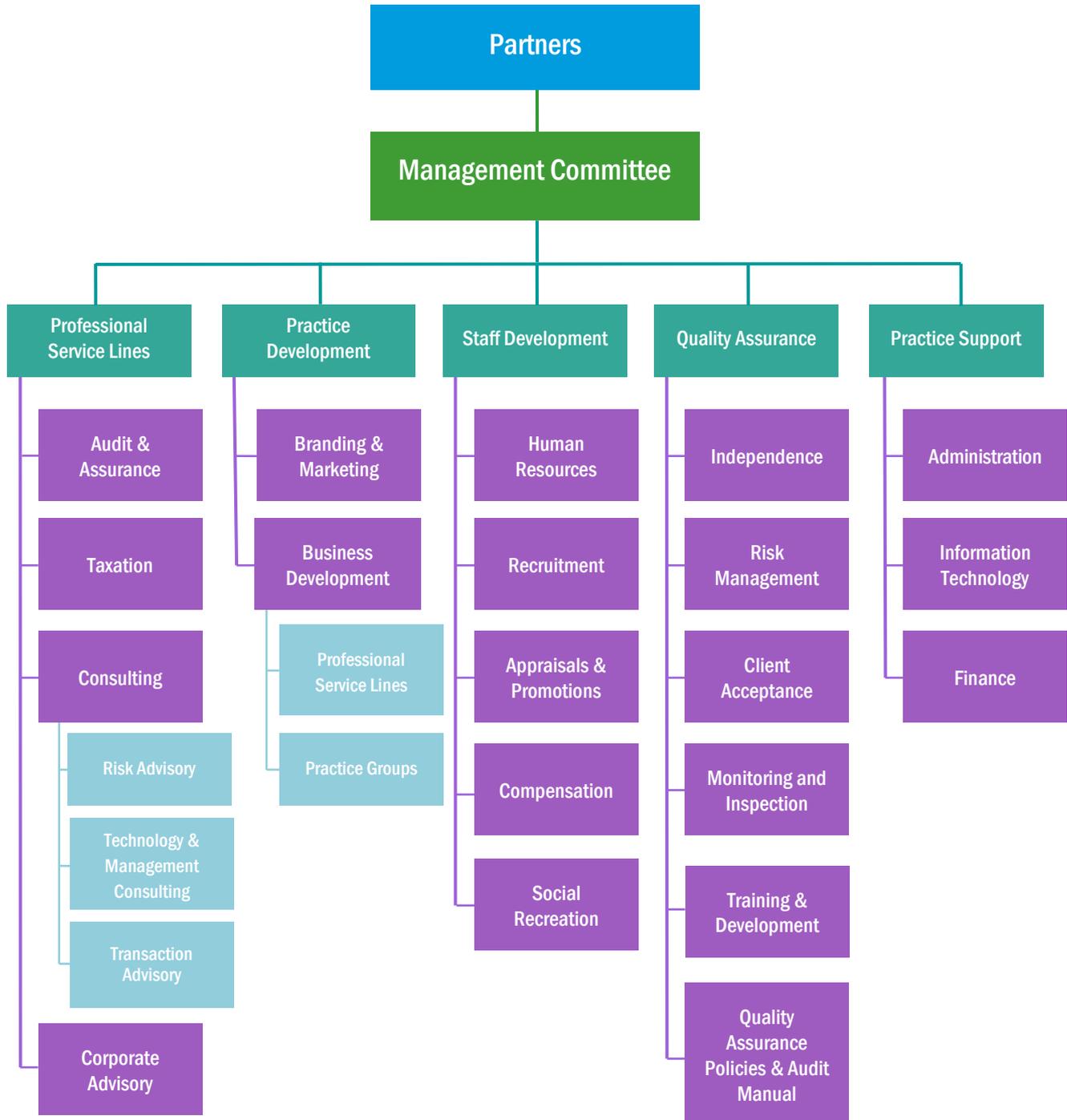
An analysis of our turnover for the year ended 31 December 2016 is as follows:



## BASIS FOR REMUNERATION OF THE FIRM'S PARTNERS/DIRECTORS

The performance of partners/directors is assessed on an annual basis. Assessment criteria include technical competence and quality of professional work, client service, business development, leadership, operational excellence, people management, risk management and professional ethics and communication. The remuneration of partners/directors is determined by reference to the annual assessment.

# GOVERNANCE STRUCTURE



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[www.rsmhk.com](http://www.rsmhk.com)

RSM Hong Kong is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

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