



Dear Assignment/News/Business Section Editor

HKICPA reiterates its positions on audit regulatory reform

(HONG KONG, 31 October 2016) – The Hong Kong Institute of Certified Public Accountants notes some recent media reports covering the Financial Reporting Council press briefing have made reference to the Institute's position on audit regulatory reform.

The Institute wishes to reiterate its position on the audit regulatory reform as follows:

1. Regulation of listed entity auditors is an important part of the overall regulatory system of the Hong Kong capital market. The Institute is the initiator of the audit regulatory reform before handing it over to the government in 2012 to prepare for public consultation and legislation.
2. While the Institute is in support of the general direction of the reform, the Institute considers that full details of the new regulatory systems, and the related budget, need to be developed and presented to the LegCo together with the draft legislation, so that LegCo and general public are clear how the new systems will serve the reform objectives and how much they are going to cost.
3. In particular, the Institute considers that details in respect of the following key matters must be fully developed before the legislative process starts:
 - (i) Checks and balances to ensure separation of inspection/investigation and sanctioning processes;
 - (ii) Guidelines on determination of appropriate regulatory action or sanctions to ensure any action taken is relevant and proportionate to the identified audit deficiency;
 - (iii) The composition of the independent oversight body to ensure it is made up of people with sufficient auditing experience and knowledge in order to make an informed judgment on the adequacy of audit work; and
 - (iv) The mechanism for setting, approving and monitoring the independent oversight body's budget to give comfort over the accountability and prudent financial management of the independent oversight body. In particular an indicative budget should be prepared so that LegCo and funding party will have clarity about the amounts involved before committing.
4. Funding of the oversight body should come from investors.

The Institute will continue to support the development of a system of auditor regulation in Hong Kong that will be internationally recognized and suit local circumstances. The Institute will continue to work with the government to ensure the above issues are adequately addressed before the legislative process begins.

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About the Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 40,000 members and more than 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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