

## Effect of Government proposals

Function/power	Current responsibility	Government proposal	Initial observations	Responses given in forums
<b><i>Transfer of functions from the Hong Kong Institute of CPAs (HKICPA) to the Financial Reporting Council (FRC)</i></b>				
Practice unit registration.	Responsibility of HKICPA.	Responsibility of FRC.	No indication of potential effects on registration requirements or criteria.	Will largely adopt existing HKICPA's criteria.
Issuance of practicing certificates (PCs) (licence to sign auditors' reports).	Responsibility of HKICPA.	Responsibility of FRC.	No indication of potential effects on criteria for issue of PC.	Will largely adopt existing HKICPA's criteria.
Practice review, inspection of practice units for non-public interest entity (PIE) audits.	Responsibility of HKICPA.	Responsibility of FRC.	To what extent will the frequency, methodology and rigour of inspections be different?	Will largely adopt HKICPA's scope of powers as well as approaches including practice review cycle.  Proportionality principle will apply.
Complaint handling and investigation of all members and practice units (those involving PIE audits already vested with FRC).	Responsibility of HKICPA.	Responsibility of FRC.	To what extent will the procedures and process be different?	Will largely adopt the HKICPA's approach.
Disciplinary actions and enforcement against all members and practice units (those involving PIE audits already vested with FRC).	Responsibility of HKICPA.	Responsibility of FRC.	To what extent will the procedures and process be different? Will existing FRC sanctions be used against all CPAs and practice units?	Will largely adopt the HKICPA's scope of powers and sanctions (including levels of penalties) for non-PIE auditors.  Proportionality principle will apply.

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<b>Additional oversight</b>				
Member registration (CPA designation).	Responsibility of HKICPA.	Responsibility of HKICPA subject to oversight of FRC.	Clarification needed on scope, extent and powers involved in FRC's oversight role.	Not discussed.
Setting continuing professional development (CPD) requirements for CPAs.	Responsibility of HKICPA.	Responsibility of HKICPA subject to oversight of FRC.	Clarification needed on scope, extent and powers involved in FRC's oversight role.	Not discussed.
Setting financial reporting standards.	Responsibility of HKICPA.	Responsibility of HKICPA subject to oversight of FRC.	Clarification needed on scope, extent and powers involved in FRC's oversight role.	Not discussed.
Setting audit and assurance standards.	Responsibility of HKICPA. FRC has oversight responsibilities only insofar as the standards apply to PIE audits.	Responsibility of HKICPA subject to oversight of FRC (all aspects).	Will there be adequate flexibility in oversight to recognize different needs and expectations of PIE and non-PIE auditors?	Not discussed.
Setting ethical standards and requirements.	Responsibility of HKICPA. FRC has oversight responsibilities only insofar as the standards apply to PIE audits and auditors.	Responsibility of HKICPA subject to oversight of FRC (all aspects).	Will there be adequate flexibility in oversight to recognize different positions of PIE auditors, non-PIE auditors and CPAs?	Not discussed.
Professional examination setting and award of qualification.	Responsibility of HKICPA.	Responsibility of HKICPA.	Nothing in the initial proposals clearly indicated involvement of FRC in this function.	Not discussed. Note that LegCo paper mentioned examination will be subject to FRC oversight.^

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<b><i>No changes to regime for PIE auditors</i></b>				
Setting CPD requirements for PIE auditors.	Responsibility of HKICPA subject to oversight of FRC.	Responsibility of HKICPA subject to oversight of FRC.	No change.	Not discussed.
Setting audit and assurance standards and ethical standards and requirements for PIE auditors.	Responsibility of HKICPA subject to oversight of FRC.	Responsibility of HKICPA subject to oversight of FRC.	No change.	Not discussed.
Inspection of PIE auditors.	Responsibility of FRC.	Responsibility of FRC.	No change.	Not discussed.
Complaint handling and investigation of PIE auditors.	Responsibility of FRC.	Responsibility of FRC.	No change.	Not discussed.
Disciplinary actions and enforcement against PIE auditors.	Responsibility of FRC.	Responsibility of FRC.	No change.	Not discussed.
<b><i>Not mentioned in the material</i></b>				
Regulation of CPAs anti-money laundering compliance.	Responsibility of HKICPA.	Not known. The proposals are silent on AML regulation.	Clarity on this matters is needed.	Will also be responsibility of FRC.

^ Based on meeting paper for Legislative Council Panel on Financial Affairs held on 5 July 2021.

As at 12 July 2021