

STRATEGIC PLAN 2020-2022

BUILDING TRUST IN OUR PROFESSION



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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FOREWORD



The strategic objectives set out in this document are based on the foundation of the Hong Kong Institute of Certified Public Accountants' Vision, Mission and Values; take into consideration significant socio-economic and other trends in the macro-environment that will affect Hong Kong and the accountancy profession; and consider stakeholder expectations. The objectives also reach back to the statutory basis and objects of the Institute set out in the Professional Accountants Ordinance, recognizing the responsibility to represent the views of the accountancy profession and maintain its reputation, integrity and status.

Previous Institute long range plans have been numbered and applied to a set five year period. In common with many other professional and public bodies, and commercial organizations we recognize that in the present fast-changing world such a timeframe may no longer be appropriate. The strategic objectives have been set recognizing challenges and priorities that we identify or believe are highly likely to develop and would remain relevant for some time. Initiatives developed for achieving the objectives look beyond a single year so have been initially projected over three years. There will be an annual review of the strategic plan to assess whether the initiatives remain relevant and comprehensive and make necessary changes to accommodate new or amended objectives.

VISION, MISSION, VALUES



Vision

The Institute is internationally recognized as a world class, top quality professional body that serves the business community and public interest of Hong Kong and contributes to the sustainable development of Hong Kong as a leading international business and financial centre.

Mission

The Institute will contribute to and influence the future of the global profession. It will contribute to the development of the profession in Mainland China. The Institute will give clear, decisive and innovative leadership to a financially- and business-attuned accountancy profession in Hong Kong. It will support Hong Kong's role as one of the world's leading financial centres and will uphold the core values and public spirit of accountancy.

Values

Professionalism, integrity, expertise, quality and agility.

INTRODUCTION





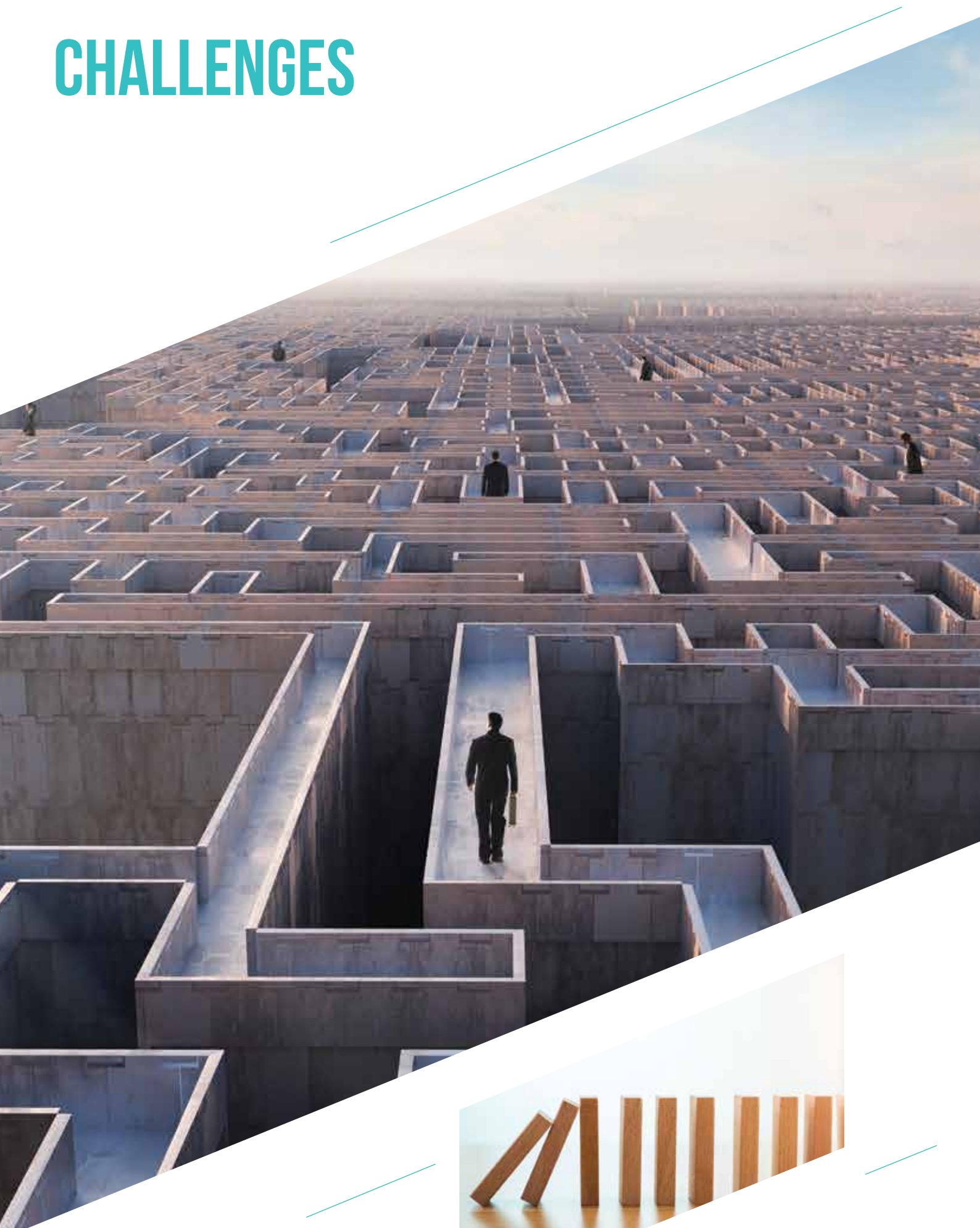
If there is a single overarching purpose behind all the objectives and initiatives in our *Strategic Plan 2020-2022* it is to build trust – in our profession from all significant stakeholders and the public at large; and within our profession between all individuals and interest groups. This is key to making our profession sustainable and relevant for the future – whatever shape that might take.

Trust can't be achieved by any one initiative, project or piece of work. It won't be the result of an expensive promotional campaign. It can't be achieved by just continuing to provide traditional services. Everything we do as professionals has to contribute to building trust by demonstrating the relevance and value of professional accountants to all of our stakeholders and many aspects of society. Our profession is one of the largest in Hong Kong, currently numbering more than 45,000 members and 16,000 students. Among so many individuals we can't expect total homogeneity of skills, interests or views but we can demonstrate a commitment to shared values that contribute to the strength of our society.

The Institute is entrusted with a number of statutory roles and functions including qualifying and admitting members to the profession, regulating the profession and setting professional standards. In developing this strategic plan we have not anticipated any major changes to these roles. The most recent change occurred in 2019, when the Financial Reporting Council (FRC) became the regulator of auditors of public interest entities, but this has not diminished the importance of the Institute's regulatory role. The emphasis of the plan is on enhancing our member services and communication, strengthening the image and standing of the profession and our digital transformation.

The profession, both in Hong Kong and globally, faces a number of developing challenges and trends, particularly around technology advances, regulatory developments and changing societal expectations. This plan seeks to reference global responses to global trends, while at the same time pursuing solutions that suit Hong Kong.

CHALLENGES





The *Strategic Plan 2020-2022* recognizes that there are challenges – many of them unprecedented – that may change the face of the accountancy profession. The challenges are not all unique to Hong Kong and have been identified by many other professional accountancy bodies around the world.

Advances in technology and digital transformation are changing how businesses operate and how professional accountants monitor business processes, report and explain financial results, and deliver quality audit services. Some “early adopter” companies, organizations and audit firms have already invested heavily in big data, blockchain and artificial intelligence. Yet some sectors of the profession are slow at adapting due to the nature of their business, availability of resources or for other reasons. In Hong Kong the extremes are made more obvious by the large number of small and medium enterprises (SMEs) in the business community and small and medium practices (SMPs) in the accountancy profession.

The regulatory landscape has become more complex and onerous. Despite significant changes in the regulation of auditors since the Enron scandal broke in 2001 there are still questions about trust in audit and the quality and effectiveness of regulation across the globe. The Institute is well placed and will continue to contribute to this important debate both in Hong Kong and in regional and international forums. Independent regulation of the audit profession has become the norm in developed jurisdictions and here in Hong Kong we joined that trend with the FRC becoming a fully-fledged independent regulator of public interest entity auditors from 1 October 2019 after 13 years as an investigative body. We will continue to work closely with the FRC and consider how the Institute’s role and position may be affected as the system becomes fully established.



Financial reporting and other professional standards have become more detailed – reflecting the variety and increasing complexity of business models, the influence of globalization and advances in technology. Principles-based standards rely on professional judgement across different industries, modes of operations and business operations. Calls for simpler standards for less complex entities and operations grow louder and cannot be ignored.

With over 45,000 members and 16,000 students the Institute reflects the **demographics and socio-economic trends**, and challenges of society as a whole. It's important that the Institute remains relevant to all of our members and our focus is on ensuring that all current and future members are prepared for the many different challenges that face them. Already, our younger members and students are technology-savvy and have very different aspirations for their careers than previous generations. Members at different levels of the corporate ladder have embraced many specialties and have gained exposure to and experience of a great many aspects of business during their careers. In our strategic initiatives we try and address the differing needs of members through education, the application of professional standards, professional support and development, and supporting members' inclusion and adoption of technology in all aspects of their professional life.

The "Accounting Plus" concept will be further promoted, and the Institute will implement initiatives and apply resources to guide members and meet their needs in a fast-evolving profession amid disruptive changes in the business world. Action will be taken to strengthen the core competencies of accountancy, while at the same time to up-skill members and enable them to pursue varied and rewarding careers. In promoting Accounting Plus we will also highlight the ability of accountants to become business leaders, in practice or in business, helping to underline the long term attractiveness of the profession to the next generation. A profession that stays relevant in a fast-changing business world is a sustainable profession that attracts top talents.



We recognize **the importance of communication** and have been trying hard to open new and effective channels to strengthen the relationship with our members, to develop mutual understanding and develop plans of action that are useful and relevant to members. We also need to establish a reputation among the wider society as a rational and persuasive voice advocating on important matters and policies of professional and public interest. Together we can build trust and a positive image for our profession.

We also need to strengthen our **constitution and governance** to ensure it supports a sustainable profession and that the Institute is effective in discharging our statutory roles and responsibilities and meeting stakeholder expectations. We have heard members' requests for more say in electing the president and vice-presidents and continue to keep members informed as we determine the best way to move forward with this.

As we write Hong Kong and the world is struggling to combat the effects of the COVID-19 coronavirus pandemic that has made the environment in which business and our members operate even more difficult. The unprecedented challenges facing the profession may become the new normal, but professional accountants remain key contributors to Hong Kong as an international financial and capital market. In an ever-changing world we must remain agile and versatile.

With all of this in mind we need strategic objectives and initiatives that will meet the challenges in the coming years.



STRATEGIC OBJECTIVES AND INITIATIVES



The strategic objectives of the Institute closely link to the roles that it undertakes. The Institute is a statutory organization responsible for licensing and regulating accountancy professionals in Hong Kong. Its roles are:

- Qualification and licensing
- Standard setting
- Regulate conduct of members
- Member support and development
- Promote best professional practices
- Upkeep the image and standing of the accountancy profession
- Safekeeping of our constitution, governance and organization

In respect of each of these roles we have identified a number of strategic objectives and related initiatives that will keep our members relevant, respected and well rewarded leaders of the profession, the business community and the wider society of Hong Kong.

1. Qualification and licensing

Objectives

- Our qualification is a premier, internationally recognized designation:
 - Our CPA qualifying process is robust and rigorous.
 - Our professional education and assessment match changing practices and expectations.
- Licensing requirements ensure quality of auditors at the point of entry and throughout the licensing period.

Initiatives

- 1.1 Smooth implementation of the new Qualification Programme (QP).
- 1.2 Review and maintain international recognition agreements on terms which are fair and mutually beneficial.
- 1.3 Conduct a curriculum review and gap analysis to develop the direction of the enhancement of the QP from 2022 and thereafter with digital development in mind.
- 1.4 Promote the QP as the programme of choice for a career in both practice and business by equipping newly-qualified CPAs with the necessary professional competences to meet the needs of employers (the concept of Accounting Plus).
- 1.5 Strategize the value proposition and develop a competitive edge for the market positioning of the QP in Mainland China.
- 1.6 Implement “registered audit practice” proposals to strengthen licensing and address audit quality issues at the point of entry by imposing fit and proper, quality control and competency requirements on registration and renewal of practices providing audit services.
- 1.7 Review the requirements for registration of public interest entity auditors and “Responsible Persons”, the mechanism for imposing conditions and the overall effectiveness of the registration regime within the next three years to ensure suitably qualified and competent persons are registered.

2. Standard setting

Objectives

- Our professional standards are of high quality, equivalent to other leading capital markets, and reflect global and local market developments.
- Our stakeholders understand and effectively implement and apply our professional standards.

Initiatives

- 2.1 Bring Hong Kong aspects into international standard setting. Engage with local stakeholders and participate in key regional and international forums.
- 2.2 Continue to develop and maintain local standards and manuals (including the audit practice manual) addressing local needs not met by international standards (regulatory, legal, market demand etc.). With small entity generally accepted accounting principles already in place, audit of less complex entities is under consideration.
- 2.3 Proactively identify and understand local issues with the application of standards and design mechanisms to address the issues without compromising the Institute’s regulatory role.
- 2.4 Strengthen technical support services through workshops and seminars; access to support materials and tools; and development of more practical advisory services e.g. practitioner panels.

3. Regulate conduct of members

Objectives

- Ensure the quality of our members work commands public trust and confidence and meets latest legislative requirements.

Initiatives

- 3.1 Enhance the practice review programme, complaint handling and the disciplinary processes through amendments to the Professional Accountants Ordinance to maintain relevance while benchmarking against best practices in Hong Kong and internationally.
- 3.2 Efficient and effective handling of disciplinary cases to combat substandard work and maintain public trust in the profession.
- 3.3 Review inspection mechanism and continue to work on reducing practice review cycle to six years.
- 3.4 Develop anti-money laundering (AML) monitoring programme that addresses all local statutory requirements and Financial Action Task Force (FATF) expectations.

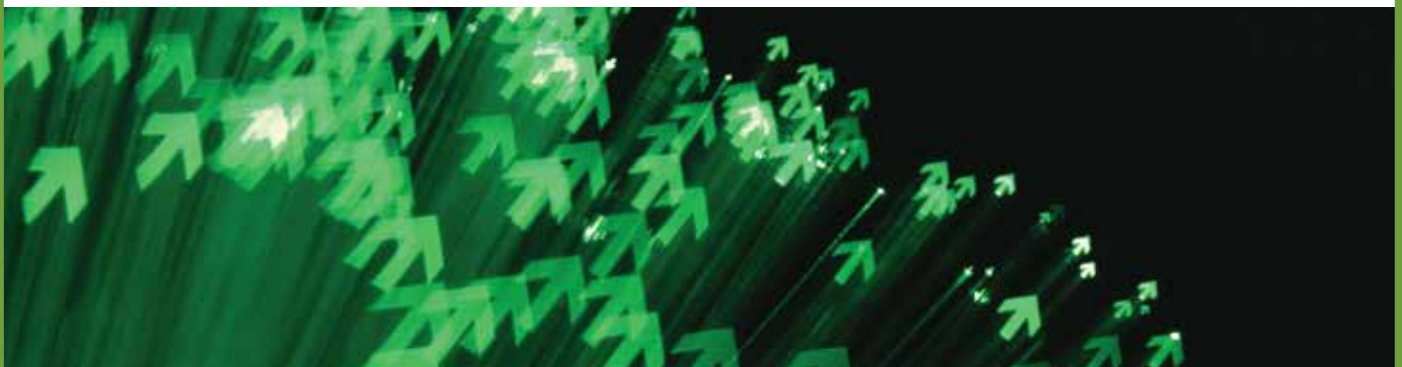
4. Member support and development

Objectives

- Our service and support are recognized by members and students as meeting their needs.
- Advanced identification of development needs and delivery of quality programmes and relevant support services.

Initiatives

- 4.1 Frequent and targeted engagement activities to identify expectations of members and students and areas where support is required.
- 4.2 Provide training and other resources to ensure technical competencies, and add value to the career and personal development of members and students.
- 4.3 Leverage our global network to identify suitable resources for local adaptation and collaborate with third parties with existing solutions for the provision of member support and services.
- 4.4 Pursue potential opportunities through national and regional development initiatives and work with relevant authorities to facilitate members working/practising in other jurisdictions.
- 4.5 Explore networking opportunities, particularly for young members and students, to facilitate the expansion of their social and professional networks.
- 4.6 Promote work-life balance and the well-being of members and students.



5. Promote best professional practices

Objectives

- Be recognized as a strong advocate for high standards of governance and ethics within the profession, the business sector and the wider community.
- Pursue the concept of “Accounting Plus” for the further development of the profession.

Initiatives

- 5.1 Advocate and support the development of good corporate governance and sustainability practices in the private and public sectors.
- 5.2 Lead developments in all aspects of corporate reporting – including non-financial reporting, such as environmental, social and governance (ESG) reporting.
- 5.3 Explore the further development of specializations (e.g. forensic accounting, business valuation), including, where appropriate, ethics and best practice guidance in specialist areas.
- 5.4 Strengthen policy research work and thought leadership advocacy, including the future role and positioning of the profession.

6. Upkeep the image and standing of the accountancy profession

Objectives

- Promote a positive image commensurate with the contributions of the profession to society and be recognized by members, the business community and general public for those contributions.
- Be recognized as a socially-responsible professional body.

Initiatives

- 6.1 Develop and implement a communication strategy covering key messages and diverse channels for projecting a positive image of the profession among members and the public. Articulate the attributes and value contributions of professional accountants and tell a compelling story.
- 6.2 Expand on projects for social contributions.
- 6.3 Engage various stakeholders to advocate professional and social contributions of professional accountants to society.

7. Safekeeping of our constitution, governance and organization

Objectives

- Our constitution, governance and organization structure befits a top-tier professional body and supports the sustainable development of the Institute and the profession.

Initiatives

- 7.1 Maintain the Institute’s constitution and By-Laws to ensure they remain fit for purpose and adaptable for a changing environment.
- 7.2 Seek to implement one member one vote for election of president and vice-presidents.
- 7.3 Ensure governance structure is effective in discharging the Institute’s roles and meeting expectations of different stakeholders.
- 7.4 Review management structure and provision to ensure efficient and effective operation.

KEY ACTION ITEMS



To achieve the strategic objectives and related initiatives, dedicated focus is required. The following list summarizes the key action items to achieve them, note that some run through a three-year time span or beyond. Indicative key timelines are shown where appropriate, other actions will generally commence in 2020 and continue in various forms across the three years.

Qualification

1. Roll out of the new Qualification Programme (QP) including the revised Practical Experience Framework. **(Associate Level: December 2020; Professional Level: June 2021; Capstone: December 2021)** Conduct a review to determine the further enhancement direction with digital development in mind.
2. Complete the Global Accounting Alliance (GAA) Qualification Framework for peer review among GAA bodies. **(Peer review to take place in 2022)** Renew reciprocal recognition agreements with respective international accounting bodies.
3. Adopt electronic studying platform for students to support their online studying habit. Develop an electronic examination paper setting platform and pathway for online scripts marking. **(Commence project in Q2 2021; enhancements by stages through 2021 and 2022)**
4. Develop a marketing plan to promote the QP and enhance pre-QP student engagement.

Standard setting and technical support

5. Bring in Hong Kong aspect and continue to participate in international and regional standard setting forums. Examples of standards under considerations include review of *IFRS for SMEs* standard, audit of less complex entities, assurance on non-financial reporting; role and mindset (professional skepticism), and non-assurance services and fees. **(Timelines of specific standard projects are aligned with timelines of international standard setters)**
6. Develop and update local standards and manuals. Complete update of audit practice manual. **(Phase 1 2020; phase 2 2021)**
7. Proactively identify local issues on application of standards and strengthen technical support services. Develop and enhance guidance notes and FAQs for implementation of professional standards. Provide additional support material and tools, and develop more practical advisory services such as practitioner panels.

Registration and regulatory functions

8. Strengthen the regulatory provisions under the Professional Accountants Ordinance to meet current international benchmarks and enhance efficiency (with reference to the amended Financial Reporting Council Ordinance to ensure alignment where appropriate). Complete review and issue consultation paper on registered audit practice, practice review programme, complaint handling and disciplinary processes. **(Public consultation Q2 2021; introduce bill to the Legislative Council Q3 2022)**
9. Consider enhancements in the registration of public interest entity auditors including issuing relevant guidelines. **(Assess implementation issues 2021; draft guidelines 2022)**
10. Develop and roll out by phases AML monitoring programme to meet FATF expectation. **(Initial information gathering Q4 2020; programme enhancements by stages through 2021 and 2022)**
11. Review changes to mix of practice units selected for review in light of FRC taking over review of public interest entity auditors, and to further increase the number of practice reviews carried out per year.

Member support and image building

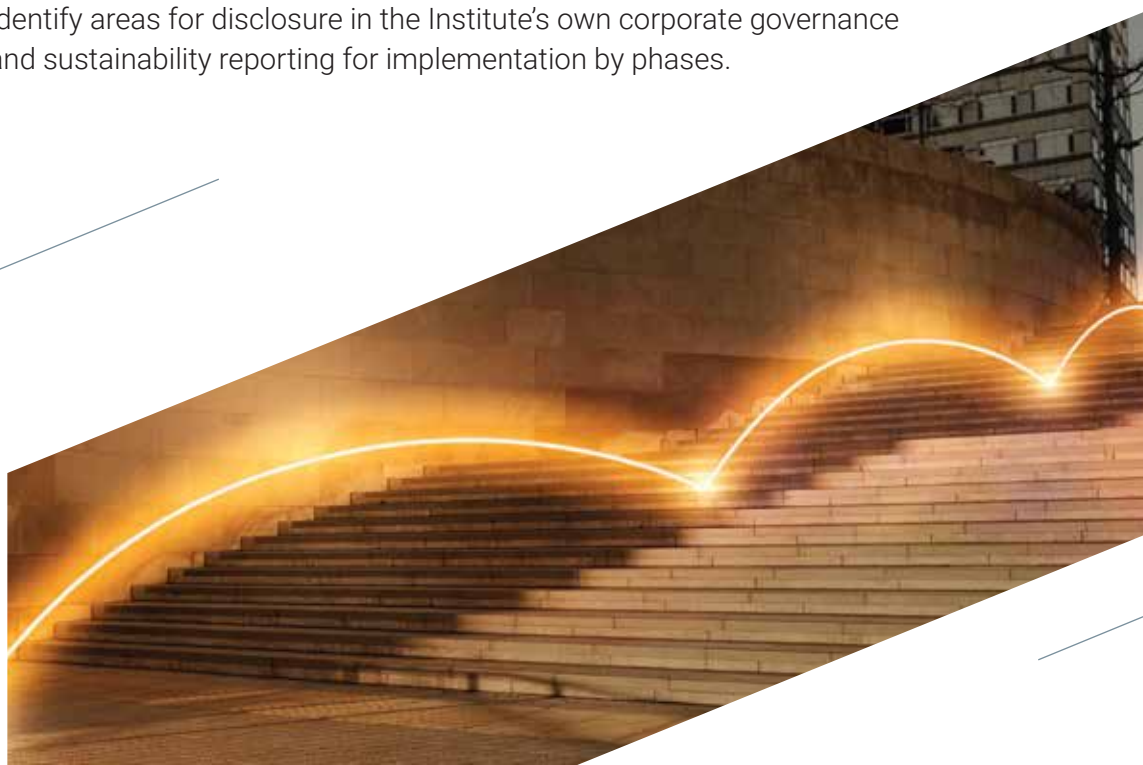
12. Assist SMPs to embrace technology by facilitating sourcing and evaluation of audit and/or practice management software.
13. Develop integrated communication strategy to enhance image of the profession. Use social media to deliver key messages and short videos. Improve content and impact of website and emails communication channels.
14. Outreach to identify members' aspirations and needs through forums and surveys. Deliver services and programmes to promote work-life balance and well-being of members and students. Enhance schemes to assist members in need under the consolidated HKICPA Trust Fund. **(Q2 2020)**
15. Roll out engagement programmes to target young members and QP students. Strengthen member networks among different member groups and with other professional bodies.
16. Identify potential opportunities, provide information hub and work with relevant authorities to facilitate members working in other jurisdictions.
17. Enrich signature events to promote financial education and social contributions of the profession.

Advocacy and professional development

18. Promote the *Professional Development Framework for PAIBs* for post-qualification development. Deliver seminars and workshops that meet members' evolving needs. Expand online resources and bring in quality programmes and offerings from other professional bodies.
19. Rebrand the Best Corporate Governance Awards by strengthening the Sustainability and Social Responsibility Reporting Awards. **(Commence rebrand 2021)** Develop non-financial reporting guidelines and ESG reporting assurance framework. **(Framework Q4 2020)** Engage stakeholders to raise awareness and support of Task Force on Climate-related Financial Disclosures requirements.
20. Contribute to the Hong Kong Business Valuation Quality Initiative Task Force. **(Post-consultation framework available Q3 2021).**
21. Develop a framework for training in forensic accounting.
22. Strengthen policy research work and thought leadership advocacy. Issue topical reports and survey findings, and raise awareness on topics that impact development of the profession. **(First report by Q4 2021)**

Governance and constitution

23. Issue consultation paper for one member one vote for election of president and vice-presidents and prepare related Professional Accountants Ordinance Amendment Bill based on views expressed. **(Public consultation Q1 2021; legislation drafted in 2022)**
24. Amend By-Laws to give members the choice to receive e-notice for annual general meetings (AGM) and to adjust the AGM timetable, in line with other professional bodies in Hong Kong. **(Draft amendments Q4 2020; legislative changes 2021)**
25. Conduct a health check on the governance structure of the Institute. **(Scope confirmed in Q4 2020; review carried out 2021)** Issue Code of Conduct for volunteers and staff and consolidate all related guidelines and practices for Council, committees, boards etc. **(Q3 2020)**
26. Review management structure and provisions to ensure an efficient and effective operation.
27. Identify areas for disclosure in the Institute's own corporate governance and sustainability reporting for implementation by phases.



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