

# Members' Forum with the FRC on "Further Reform of Regulatory Regime of Accounting Profession"

6 July 2021



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



“ Opening remarks by President

Mr Raymond Cheng, President of HKICPA

# Further Reform of Regulatory Regime of Accounting Profession

**Dr Kelvin Wong, Chairman, FRC**

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Head of Oversight, Policy & Governance, FRC**

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# History of the FRC – Independent Regulator

Time	Milestone
13 Jul 2006	Enactment of the FRC Ordinance
1 Dec 2006	Establishment of the FRC
16 Jul 2007	Commencement of full operation – Investigation & Enquiry
24 Jan 2018	Introduction of the FRC (Amendment) Bill 2018 at the Legislative Council
30 Jan 2019	Passage of the FRC Amendment Bill 2018
1 Oct 2019	Commencement of New Auditor Regulatory Regime

# Further Reform to Achieve Independent Regulation

Benefits	Why and How
Independent regulation & oversight	Align with international practices
Impartiality	Check and balance by 3 governance bodies ( <i>Process Review Panel, Board, Committees</i> )
Reduce compliance costs	To enhance regulatory efficiency and consistency
Increase public trust and confidence	<b>Ensure sustainable development</b> of the auditing and accounting industry

Code of Ethics for Professional Accountants paragraph 100.1

*“A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.”*

# Registration – Remain largely the same

*Proposed amendments: Registration of auditors and issuance of practising certificates will be vested with the FRC*

Power	Current arrangement		Government proposal	
	HKICPA	FRC	HKICPA	FRC
<ul style="list-style-type: none"> <li>Registration of Certified Public Accountants (<b>CPAs</b>)</li> </ul>	✓		✓	
<ul style="list-style-type: none"> <li>Registration of practice units (including PIE auditors)</li> </ul>	✓			✓
<ul style="list-style-type: none"> <li>Issuing practising certificates (<b>PCs</b>)</li> </ul>	✓			✓

*Post reform registration criteria will remain largely the same.*

# Inspection – Proportionality approach, largely follow HKICPA’s practice

*Proposed amendments: FRC’s inspection power will be expanded to cover all practice units*

Power	Current arrangement		Government proposal	
	HKICPA	FRC	HKICPA	FRC
<b>Carry out practice reviews/ inspection in relation to</b>				
▪ Practice units	✓			✓
▪ PIE auditors		✓		✓

*Post reform inspection will adopt proportionality approach.  
Inspection approach (e.g. cycle and standards) will largely follow the practice of HKICPA.*

# Investigation and Discipline – Proportionality approach, remain largely unchanged

*Proposed amendments: Investigation and disciplinary powers to CPAs and practice units will be transferred from the HKICPA to the FRC*

Power	Current arrangement		Government proposal	
	HKICPA	FRC	HKICPA	FRC
<b>Carry out investigations in relation to</b>				
▪ CPAs	✓			✓
▪ Practice units	✓			✓
▪ PIE auditors		✓		✓



# Investigation and Discipline – Proportionality approach, remain largely unchanged (Cont'd)

Power	Current arrangement		Government proposal	
	HKICPA	FRC	HKICPA	FRC
<b>Impose disciplinary sanctions on</b>				
▪ CPAs	✓			✓
▪ Practice units	✓			✓
▪ PIE auditors and registered responsible persons		✓		✓

*Post reform investigation and discipline will adopt proportionality approach.*

*Scope of powers (including investigable and sanctionable misconducts and powers of investigators) as well as types and levels of penalties will remain largely unchanged after the transfer from HKICPA to FRC.*

# Oversight – Expand to include accounting standards

*Proposed amendments: FRC’s oversight of the HKICPA’s performance to be expanded*

Power	Current arrangement		Government proposal
	Practice units and CPAs	PIE auditors	Practice units (including PIE auditors) and CPAs
<b>FRC’s oversight of HKICPA in respect of</b>			
▪ Registration		✓	✓
▪ Continuing Professional Development (CPD) requirements		✓	✓
▪ Auditing and ethical standards		✓	✓
▪ Accounting standards			✓

*CPD requirements and professional standards follow converged international standards.*

# Summary of the FRC's Approach to Proposed Legislative Amendments

Transfer of power	FRC's regulatory approach
1. Registration of practice units (including PIE auditors)	Remain largely the same
2. Issuing practising certificates	
3. Carry out inspection in relation to practice units	Proportionality approach, largely follow HKICPA's practice
4. Carry out investigations in relation to CPAs	Proportionality approach, remain largely unchanged
5. Carry out investigations in relation to practice units	
6. Impose disciplinary sanctions on CPAs	
7. Impose disciplinary sanctions on practice units	
8. Oversight of accounting standards	Follow converged international standards

# Key Challenges & Opportunities Facing Today's Accounting Profession

- 1 Talent and human capital
- 2 Changes in accounting profession imposed by the COVID-19 pandemic (business, practice, education)
- 3 Changing expectations of customers
- 4 Regulatory changes
- 5 Sustainability of the accounting profession
- 6 Political and economic uncertainty
- 7 Technology and cybersecurity
- 8 **Opportunities: Greater Bay Area, ESG, business valuation**

# Multiple Roles of Professional Accountants in Turbulent Time

	<b>Role</b>	<b>Opportunity</b>
<b>1</b>	Business partners	Growth
<b>2</b>	Risk manager	Internal Control
<b>3</b>	Change agent	Consultancy
<b>4</b>	System builder	Policy making
<b>5</b>	Governance advisor	Advisory on governance
<b>6</b>	ESG advisor	Sustainability
<b>7</b>	Ambassador	Cultural change

**Thank You**



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