



香港女會計師協會有限公司
Association of Women Accountants (Hong Kong) Limited

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Honorary Founding President:

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Immediate Past President:

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President:

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3 September 2021

Clerk to Bills Committee on Financial Reporting Council (Amendment) Bill 2021
 Legislative Council Secretariat Legislative Council Complex
 1 Legislative Council Road
 Central Hong Kong

Dear Sirs/Madams,

Financial Reporting Council (Amendment) Bill 2021

Association of Women Accountants (Hong Kong) Limited (“AWAHK”) is an accounting professional body with members including those who are practitioners as well as non-practitioners that render professional services in Hong Kong. We would like to provide our view on the captioned matter (the “Bill”) for your consideration.

We acknowledge that the international trend on accounting profession regulation is to vest the regulatory powers with a regulatory body independent from the trade to ensure impartiality. This further reform will make Hong Kong’s regulatory regime more in line with the international standard and practice as most comparable overseas accounting jurisdictions have already given expanded power to their respective independent regulators which oversee the accounting profession to ensure that professional accounting services are duly regulated.

The general direction and the framework set out in this further reform shall reinforce Hong Kong’s status as an international financial centre and business hub. Nevertheless, it is expected that the relevant Government authority and the regulator will work closely with the industry in structuring the implementation details in due course for optimal benefit to Hong Kong’s professional development at large.

Please refer to specific comments and concerns raised below on each of these areas.

1. Funding mechanism

It is noted that new levies have been introduced under the PIE auditor regulatory regime which will be payable by PIE auditors, PIEs and sellers and purchasers of securities respectively. It is crucial to address the general concerns from practitioners that the expanded regulatory functions of Financial Reporting Council (“FRC” or “AFRC”) shall be sufficiently funded by the Government, be it with the unspent balance of the seeding capital injected in 2019 or reasonable level of charges be considered from regulatees.



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We understand that the AFRC will not collect application fees for practising certificates and registration of firms and corporate practices during the transition period. In case any fee has to be charged, annual membership fees in relation to audit practitioners and practices not involved in PIE audit should be at a proportionally lower level; and it is expected that relevant fee level will be lower than the current ones established by the HKICPA. This is to support the industry especially during this challenging business environment and to reflect the expected cost efficiency from streamlined administrative efforts by relevant regulators.

2. Inspection, Investigation and disciplinary mechanism

We fully agreed that all types of work carried out by accounting professionals which are of public interest shall be independently regulated proportionally as they are the cornerstone of the integrity and governance of Hong Kong's business sector. We also acknowledged the importance of having a streamlined and consistent exercise of regulatory powers, namely, inspection, investigation and discipline over practice units, and individual CPAs, should be in place for minimal compliance burden of the regulatees.

It is also highly recommended that an "educational" and "guiding" approach be introduced during the early stage of the transition in FRC's expanded authority towards the regulatees. This is however not meant to be lenient on those deemed to be intentional breach of relevant compliance requirements but appropriate guidance details shall be provided before and during the implementation of the changes.

3. Collaboration amongst regulators

For investigations and disciplinary cases that are in progress, it is necessary to have clear policies and procedures conducting in a timely and reasonable manner, and cases closed should not be re-opened. It is important to ensure smooth collaboration amongst AFRC and HKICPA as well as other regulatory bodies such as HKEX, SFC and tax authorities, in order to prevent undue hardships on practitioners especially the Smaller and medium-sized ones.

We would like to draw your kind attention to specific clauses of our concern in the bill below:

- (i) Items that may defeat the purpose of "reducing compliance burden and enhance efficiency in regulation":
 - a. C4091 20AAL(1)(b): "local experience and knowledge of local law and practice that the HKICPA Council considers necessary"
 - b. C4091 20AAL(1)(c): "continuing professional development requirements set by the HKICPA"



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- c. C4133 20AAZY(1)(b)(ii): “Professional indemnity insurance “on terms that have been approved by the HKICPA Council...”
- d. C4133 20AAZY(2): “an insurer who is approved by the HKICPA Council to provide professional indemnity insurance to a corporate practice”

(ii) For C4151 Division 5 - Prohibition and related Offences, we consider the exclusion of the following act should be reviewed given the growing scale and impact on public interests of relevant organizations nowadays.

C4167: 20AAZZS(b): “this Division does not.....prevent a member of a club, institution or association that is not carried on with a view to profit from acting as an auditor of the club, institution or association.”

This clause has been written into our Ordinance for many years. In recent years, many of these clubs, institutions or associations have to some degree receive income or donations from the public or from the Government departments. We recommend that should these associations reached a certain size, their auditor should not be exempted from obtaining the practicing certificates issued by the FRC.

(iii) C4165: 20AAZZS(a)(i): we suggest to add the words “agents for audit” or “audit agent” which are currently manipulated in the professional regime.

4. Advisory Committee

It is noted the Bill is to establish a statutory Advisory Committee consisting of practitioners, service users and other stakeholders of the accounting profession to advise the AFRC. We recommend that the committee composition shall represent a diversified user group of accounting and auditing services; as well as professional bodies which are independent and representative of the voices of interested parties.

Should you have any questions, please do not hesitate to contact me on 6016 8902 or info@awahk.hk.

Yours sincerely,

Kelly Chan
President

Submission taskforce members:

LAW Elizabeth, CHAN Yuen Sau Kelly, CHU Kit Lai Sara, LAI Yuet Ying Connie