

**AFRC Chairman Dr David Sun's opening remarks at  
2024-25 Annual Inspection Report and  
Annual Investigation and Compliance Report  
Press Briefing**  
(English translated version)

29 July 2025

Good afternoon members of the media and thank you for joining us today. We will be sharing the key highlights of the AFRC's inspection results and investigation findings.

Firstly, I would like to share the critical role we play in the financial market—our inspection and investigation functions. When people hear terms like “inspection” or “investigation,” they often immediately associate them with “regulation” or “enforcement,” concepts that naturally carry a sense of seriousness and responsibility. While these elements are indeed integral to our work, our role goes beyond simply “finding gaps” or “identifying issues.”

More importantly, through these functions, we aim to support the healthy development of the entire industry, strengthening market confidence and stability.

### **The Role of Inspection and Investigation in Driving Progress**

Our inspections are akin to regular health checks, whereas our investigations involve thorough examinations of facts and evidence to determine whether misconduct.

Our inspection process enables firms to understand and assess their current state of audit quality and take necessary steps for self-improvement. When significant issues are identified during our investigations, we will take enforcement actions to deter our regulates (firms and/or individuals) from repeating the same misconduct.

As the saying goes, “People do not always do what is expected, but they will almost always do what is inspected.” Our aim is to use this mechanism to continually remind everyone to “stay at their best.”

## **Adapting to Change: Driving Innovation and Professional Excellence**

We do not merely observe issues after they occur; we aim to stay ahead, leading the industry in the right direction. This includes helping the profession adapt to new standards, technologies, and market changes.

Achieving this requires more than just “regulation”; It involves working alongside the industry, learning and growing together, while driving innovation and professional development.

The AFRC places great importance on communication with stakeholders, including firms of all sizes, listed companies, investors, other regulators, and of course, our media friends. We believe that open and honest dialogue, coupled with actionable recommendations, not only helps stakeholders better understand regulatory expectations but also ensures our work remains forward-looking and effective.

In simple terms, we hope that inspections and investigations are seen as opportunities for learning and collaboration, rather than solely as a “fault-finding” exercise. Our ultimate goal is to support the profession, safeguard the market, and serve the public. All of this is to create a more trustworthy and sustainable professional ecosystem.

## **The Two Cs of Audit Firms: Capacity and Competency**

When it comes to audit quality, we can summarize it with two “Cs”: Capacity and Competency.

**On Capacity:** The focus is on whether an audit firm has adequate resources—sufficient staffing, effective tools, and streamlined processes. Simply put, does the firm have the necessary conditions in place to allow audit teams to complete their work thoroughly and thoughtfully, rather than in a rushed manner.

**On Competency:** This refers to the professional capabilities of the team. It is not just about qualifications or certifications but about the ability to apply professional knowledge and skills flexibly to handle complex situations. This includes having the courage to uphold integrity, maintaining a sceptical and learning mindset, and making sound judgments. Put simply, it is about whether the team can face challenges calmly, solve problems effectively, and deliver results.

These two “Cs” may seem simple, but they are the foundational pillars of ensuring audit quality.

### **Closing Remarks and Next Steps**

Finally, I want to emphasise again that our inspection and investigation work is not just about “enforcement.” It acts as both a driver of progress and a mirror for the industry to reflect and improve. By enhancing transparency, fostering a culture of accountability, and promoting professional development, we work together to uphold Hong Kong’s professional reputation on the global stage.

At this point, I would like to invite my colleagues to share more about our methodology and highlight some practical and thought-provoking findings from our recent inspection and investigation reports.

Thank you.