

Press Release

15 December 2023

AFRC starts inspecting engagements involving audit working papers located on the Mainland

The AFRC is pleased to announce that it has reached a consensus with the Bureau of Supervision and Evaluation (**SEB**) of the Ministry of Finance of the People's Republic of China. Under the agreed mechanism, the SEB has assisted the AFRC in obtaining audit working papers of PIE auditors located on the Mainland (**AWP-C**) for inspection in Hong Kong. This marks a major milestone in the regulatory collaboration between the two regulators since their Memorandum of Understanding was signed in May 2019. Both parties will evaluate the agreed mechanism from time to time to ensure it runs smoothly and efficiently.

It is the statutory duty of the AFRC, as the independent regulator of the accounting profession of Hong Kong, to uphold the financial reporting quality of listed entities and the quality of their audits so as to protect investors' interests. Inspection of listed entity audits is critically important as the capital markets of Hong Kong and the Mainland become increasingly connected, and accounting firms continue to expand their practices across the border.

The consensus and the agreed mechanism are a testament to the strategic intent between the SEB and the AFRC to collaborate seamlessly to ensure audit quality. The arrangement not only facilitates AFRC's inspection of engagements involving AWP-C but also sends a strong message to PIE auditors that their audit engagements are subject to the AFRC's quality review no matter where they keep their audit working papers.

The AFRC is grateful for the staunch support from the SEB and looks forward to expanding and expediting their mutual cooperation to enhance the financial reporting quality and audit quality in furtherance of the public interest.

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About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, AFRC spearheads and leads the accounting profession to constantly raise the level of quality of professional accountants, and thus protects the public interest.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

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