

## Press Statement

16 July 2024

### AFRC expects full compliance by auditors with relevant laws and regulations

The Accounting and Financial Reporting Council (**AFRC**) stresses that as the independent regulator of the accounting profession in Hong Kong, it expects all audit firms and their personnel to fulfil the fundamental principle of professional behaviour to comply with all relevant laws and regulations under paragraphs 110.1 A1(e) and R115.1(a) of the Code of Ethics for Professional Accountants.

It has come to the attention of the AFRC that in a recent decision notice, the Supervision and Evaluation Bureau of the Ministry of Finance of the People's Republic of China has imposed a sanction on an individual certified public accountant in the Mainland for having accepted audit work from a Hong Kong PIE auditor in respect of certain audits of Mainland enterprises listed in Hong Kong on his own account rather than through the Mainland public accounting firm to which he belonged as required under Mainland law.

Audit firms in Hong Kong are reminded that the fundamental principle of professional behaviour requires them to have a thorough understanding of, and strictly comply with, the applicable laws and regulations of any jurisdictions in which they practise or provide audit services, including those in the Mainland and all requirements under the "Interim Provisions on Accounting Firms' Provision of Auditing Services for the Overseas Listing of Enterprises in Mainland China" promulgated by the Ministry of Finance (**Interim Provisions**) which govern the provision of audit services by Hong Kong audit firms in respect of Mainland enterprises listed in Hong Kong.

Under the Interim Provisions, a Hong Kong audit firm which has been engaged to perform an audit engagement of a Mainland enterprise listed in Hong Kong is required to enter into a cooperation agreement with a Mainland public accounting firm in respect of such audit services.

Compliance is a legal obligation and a fundamental pillar of responsible and sustainable practice. The AFRC will not hesitate to hold firms and their personnel accountable by taking robust enforcement actions should they fail to do so. In addition, under the AFRC regime, in considering the applications of registration of PIE auditors and their renewals, the AFRC may have regard to all information in its possession, including the compliance records of an applicant.

End

## 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 and promotes the healthy development of the accounting profession.

For more information about the statutory functions of the AFRC, please visit [www.afrc.org.hk](http://www.afrc.org.hk).

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