

Press Release

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AFRC holds Briefing on its 2022 Annual Inspection Report to urge Quality Control System Responsible Persons of registered PIE auditors to enhance audit quality

To urge quality control system responsible persons (**QCSRPs**) of the registered PIE auditors to duly discharge their responsibilities in enhancing audit quality, the Accounting and Financial Reporting Council (**AFRC**) held a **briefing session on its 2022 Annual Inspection Report** on 22 September 2023, which was attended by over 40 target participants.

Introducing the purpose of the briefing session, Ms Janey Lai, Head of Inspection, said, “The QCSRPs of registered PIE auditors are the most important gatekeepers within the firms as they hold the ultimate responsibility and accountability for the firms’ audit quality. Given their important roles, they should develop and strengthen a culture that fosters audit quality in the public interest.”

The briefing shed light on the AFRC’s 2022 inspection results focusing on the major deficiencies identified in the systems of quality control, engagement inspections and root cause analysis. It also highlighted the 2023 inspection focus and our expectations on auditors.

Ms Lai explained, “The AFRC consistently applies the regulatory principle of proportionality and risk-based inspection approach to drive high audit quality, including conducting specific scope inspections on PIE auditors and proactive monitoring on malpractice in the market. We will also adopt a carrot-and-stick approach, implying that we will increase the frequency and the number of engagement inspections on PIE auditors with unsatisfactory inspection results whilst we also consider reducing the number of engagement inspections on those with substantial improvement in audit quality. This will allow us to ensure the PIE auditors have paid immediate attention to the audit quality of their engagements.”

Concluding the briefing, Ms Lai said “The right tone at the top is of critical importance. We urge the QCSRPs of the firms to disseminate and communicate the AFRC inspection findings and the key messages taken from the briefing to their firms’ professional accountants. The QCSRPs should ensure that the accountants and auditors of their firms understand thoroughly what they should and are expected to do to achieve high audit quality. The AFRC will hold the QCSRPs accountable for taking robust actions to enhance an effective quality management system in monitoring audit quality.”

Please click [here](#) to view the slides of the briefing.

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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