

**LegCo Panel on Financial Affairs - AFRC Budget for FY 2025/26
3 February 2025**

Remarks by Dr David Sun, AFRC Chairman

Chairman and Panel Members:

1. I would like to provide an overview of the key highlights and challenges faced by the Accounting and Financial Reporting Council (AFRC) over the past year, as well as outline the main focuses for the 2025-26 budget. This budget adopts a strategic and measured approach. Our CEO, Ms Janey Lai, will then present the key points of the budget for 2025-26.
2. Hong Kong's accounting profession has transitioned from self-regulation to independent regulatory. Following legislative amendments in 2019 and 2022, regulatory functions were transferred from the Hong Kong Institute of Certified Public Accountants (HKICPA) to the AFRC, aligning with international practices.

FY 2024-25 Highlights and Challenges

3. Over the last three years, the AFRC remains committed to fostering a resilient and sustainable financial and accounting ecosystem. We aim to balance our regulatory and development functions to safeguard public interest by establishing high standards of audit quality, corporate governance, and accountability, while fostering an environment conducive to industry growth and development.
4. As of 31 December 2024, we regulate approximately 34 recognised overseas Public Interest Entity (PIE) auditors, over 7,000 local practice unites (including 81 registered local PIE auditors) and 43,000 non-practising Certified Public Accountants. The diversity of the regulated entities coupled with the ever-evolving financial landscape, increases the complexity of our regulatory efforts.
5. In 2024, we enhanced our outreach and industry development activities to improve understanding of our regulatory framework and raise market awareness of issues that could compromise market integrity. We organised and participated in over 40 market communication events, engaging more than 20,000 stakeholders to promote the development of auditing and accounting profession. These efforts covered topics such as audit deficiencies, auditor changes, cross-border audit practices, bogus accountants and registration non-compliance.

6. To ensure broad engagement, we distributed policy updates, market analysis, research findings, guidelines, and industry resources through multiple channels, including e-newsletters, social media, presentations, videos, webinars and workshops. These efforts particularly targeted small and medium practices.
7. Recognising the interconnectedness of today's global business environment, we strengthened collaborations with local, Mainland, and international regulators and law enforcement agencies. These efforts enhanced information sharing and regulatory effectiveness.

FY 2025-26 Budget Utilisation Plan

8. The AFRC has adopted a strategic and measured growth strategy, focusing on regulation, development, and sustainability, while maintaining strict cost controls and optimising resources allocation.
9. The total budgeted operating expenditure for 2025-26 fiscal year is HKD 379 million. The total budgeted revenue, including HKD 174 million government funding, is approximately HKD 379 million. The capital expenditure budget is around HKD 19 million.
10. To manage operational expenditures and maintain efficiency, we will keep our establishment at 145 staff, comprising 100 positions for regulating PIE functions and 45 for regulating non-PIE functions. This is the second consecutive year of headcount freeze. As our regulatory functions expand, our headcount remains unchanged, and we must navigate the increasing challenges posed by talent shortage and market volatility.
11. Leveraging technology will be a priority to enhance efficiency, streamline operations, and mitigate security and data risks. This transformation is essential for addressing future challenges and opportunities.
12. We will continue refining our regulatory tools to manage systemic and operational risks effectively, ensuring market stability and compliance, and thereby safeguarding the interests of investors and businesses. These efforts will further bolster Hong Kong's status as a premier international finance centre.
13. Building on the success of our inaugural Regional Regulatory Forum for the accounting profession, which attracted over 370 local and international participants including Mainland officials and industry leaders, we will host the annual forum again in 2025. This initiative underscores Hong Kong's role as a global financial hub and foster meaningful discussions on critical industry topics.

14. The AFRC remains dedicated to promoting sustainability reporting and assurance in alignment with global standards and fostering professional development in this area to support the HKSAR Government's roadmap on sustainability disclosure.
15. In conclusion, we will prioritise strategic budget control and resource allocation to ensure our organisation remains agile and resilient, while advancing long-term sustainability goals.
16. Thank you Chairman.

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