

Press Release

22 December 2023

Audit Focus for 2023 year-end audit

The Accounting and Financial Reporting Council (**AFRC**) today issues [Audit Focus](#) to emphasize the importance of remaining vigilant about the financial and audit implications that may arise as a result of the continued deterioration in economic conditions and the overall performance of listed companies. Auditors are expected to improve the quality of work in upcoming year-end audits through heightened professional skepticism on key risk areas in the Audit Focus.

In times of economic turbulence, ensuring audit assurance becomes crucial as public confidence and trust become more vulnerable. With the current economic circumstance of high interest rates, inflationary pressure, and credit crunch, auditors should exercise due diligence in addressing areas that are susceptible to the impact of rising costs, alterations in contract and pricing terms, changes in credit risks, and the potential pressures or incentives for management to commit in financial reporting fraud. The key areas requiring particular attention of auditors include, but are not limited to:

- a. Revenue recognition;
- b. Impairment assessment;
- c. Fair value measurement of assets or financial instruments;
- d. Provision for onerous contracts;
- e. Going concern assessment; and
- f. Fraud risk assessment.

Ms Janey Lai, Acting CEO remarks, “By focusing on the key risks outlined in this Audit Focus, auditors can identify potential areas of material misstatement or fraud and allocate the necessary resources to address them. Firm leadership, including Chairpersons and Managing Partners, plays a pivotal role in driving commitment to quality at all levels within their firms and ensuring the delivery of quality audits. Good audit quality stems from the right tone from the top and the concerted efforts they have exerted to ensure the engagement quality echoes their tone. We therefore will hold those leadership teams responsible for any poor audit quality.”

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.

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

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