



Accounting and Financial
Reporting Council
會計及財務匯報局

The Actuarial Society of Hong Kong's IFRS 17 Conference

Kelvin Wong, Chairman

25 October 2023



1.AFRC

2.Partnership

3.Sharing



AFRC



Mission and Values

As an independent regulator, we spearhead and lead the accounting profession to constantly raise the level of quality of professional accountants, and thus protect the public interest.

Our mission is to shape a competitive environment that will nurture and promote success of the profession.

Dialogue

Understanding

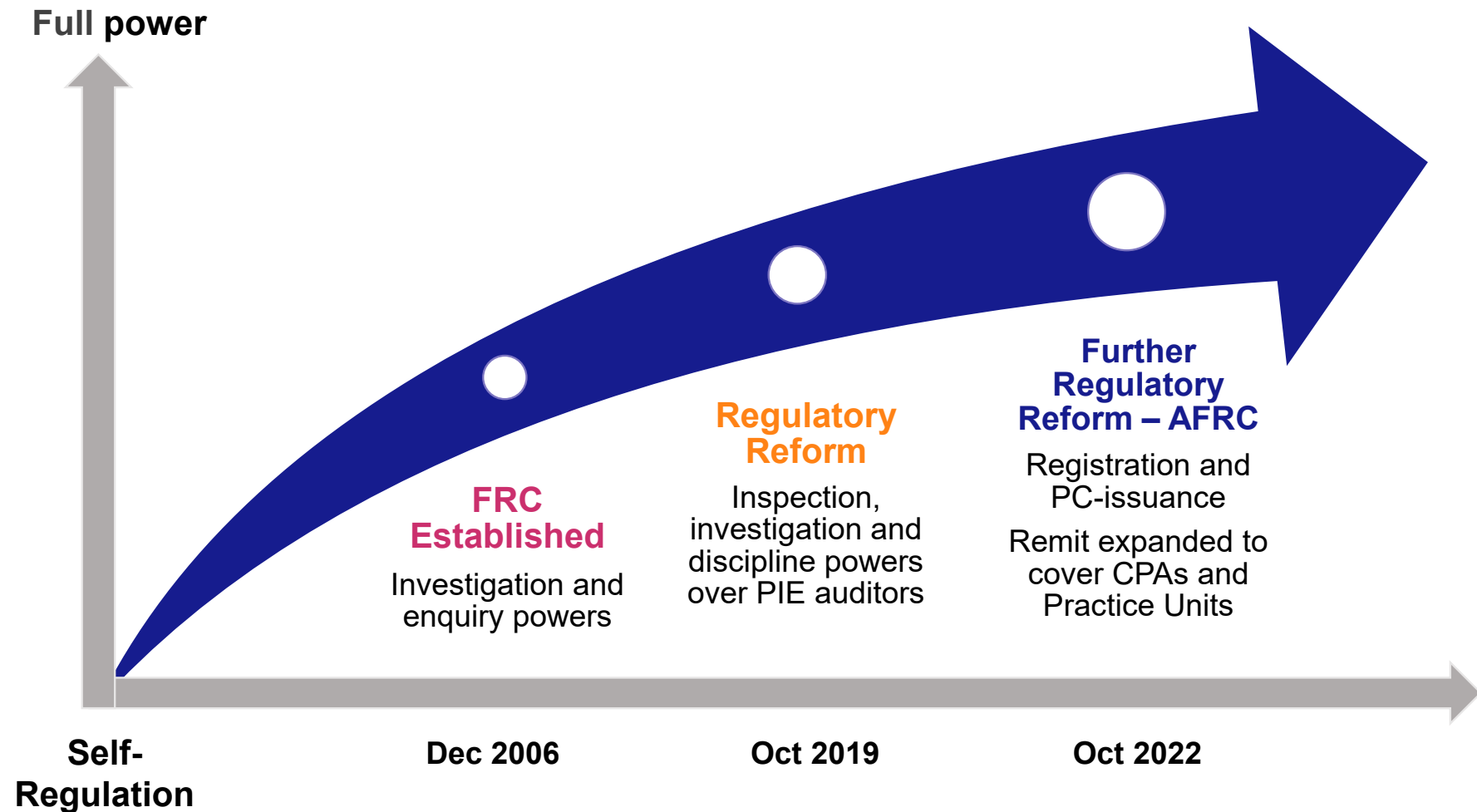
Collaboration

Law & Governance

Thought Leadership

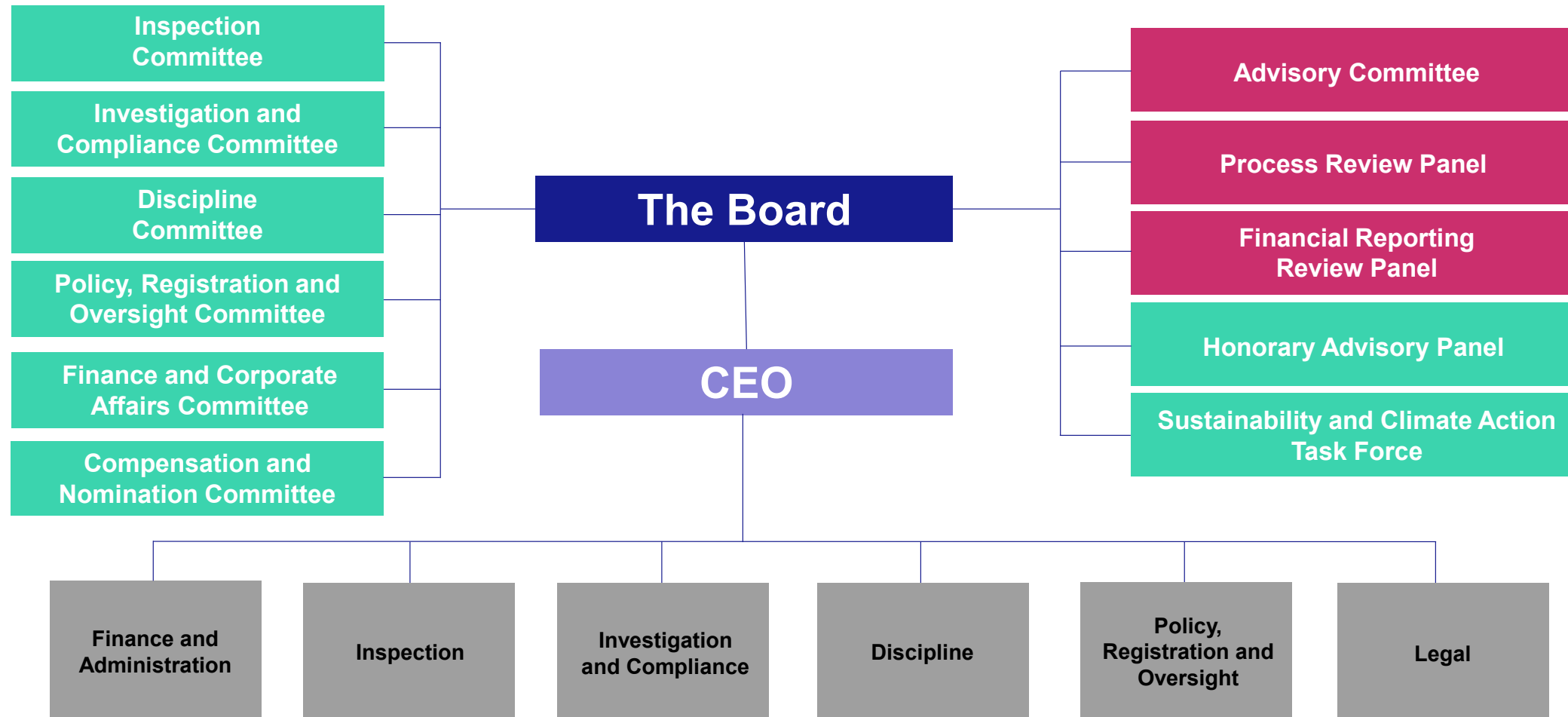
Ripple Effect

AFRC – A Full-fledged Independent Regulatory and Oversight Body



Governance Structure – Impartial, Transparent and Accountable

as of 31 March 2023



Regulatory Initiatives – Efficient Process, Effective Outcome

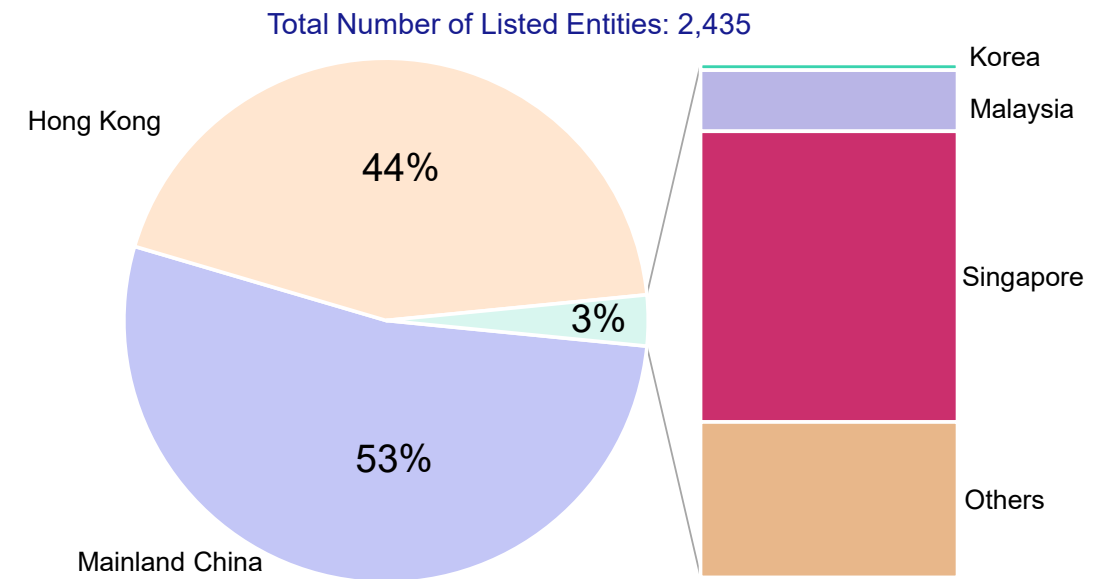
- Seamless collaboration across regulatory functions to develop multi-pronged strategies
- Timely action to pre-empt and deter misconduct through the effective use of our regulatory tools



Regulatory Collaboration – Upholding Integrity of Capital Markets

- Strategic collaboration with local regulators
- Cross-border cooperation with the PRC Ministry of Finance
- Strengthen collaboration with international regulators and organizations

Hong Kong Listed Entities by Operation Jurisdiction



* Data based on published annual reports with year-end 31 May 2022

* Others: Australia, Canada, Italy, Japan, Luxembourg, Macau, UK, Russia, Taiwan and U.S.

Overall Inspection Results (2020-2022)

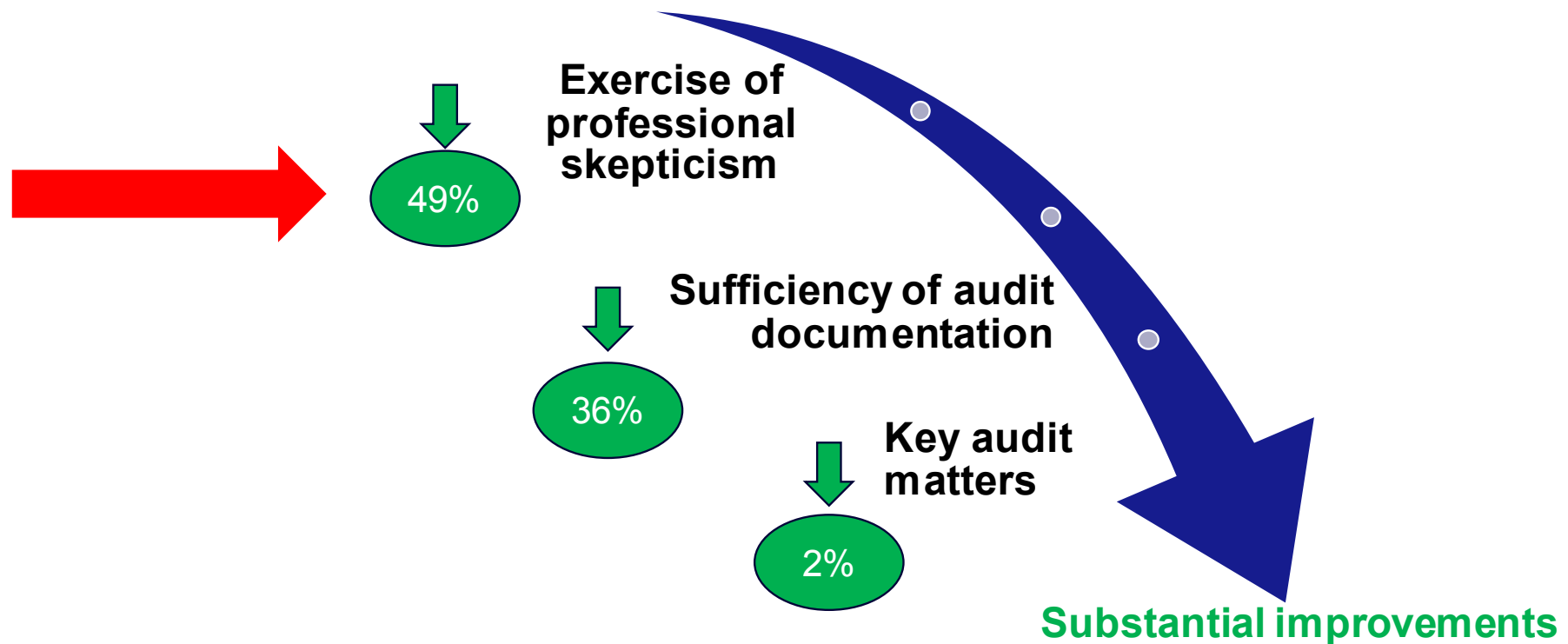
- Overall average audit quality rating remains unsatisfactory
- Only 1/3 of the audit engagement quality got a pass
- 2/3 inspection found unacceptable engagement quality
- Larger firms tend to perform relatively better but still way below global standard
- Small firms performed the worst with a failure rate of 91%
- Yet, HK is an IFC!

Annual inspection results	2020	2021	2022
Average audit quality rating (AAQR)	3.1	2.9	2.8
All PIE auditors			
Total PIE engagement inspected	37	50	55
Percentage of inspected engagements with rating of 1 or 2	27%	32%	36%
Percentage of inspected engagements with rating of 3 or 4	73%	68%	64%
Category A firms			
AAQR	2.8	2.5	2.4
Percentage of inspected engagements with rating of 1 or 2	41%	45%	55%
Percentage of inspected engagements with rating of 3 or 4	59%	55%	45%
<i>Remarks: Improvement was mainly from 4 Category A firms. The other 2 Category A firms' audit quality ratings remained unsatisfactory (rating 3 or 4) at 90% of inspected engagements in 2022 (2021: 88%; 2020: 83%).</i>			
Category B and C firms			
Category B firms' AAQR	3.8	3.4	3.4
Category C firms' AAQR	3.3	3.7	3.4
Percentage of inspected engagements with rating of 1 or 2	7%	11%	9%
Percentage of inspected engagements with rating of 3 or 4	93%	89%	91%
<i>Remarks: 4 Category B firms with significant quality issues in previous years were re-inspected in 2022. Their AAQR improved to 3.0 (2020: 3.9).</i>			



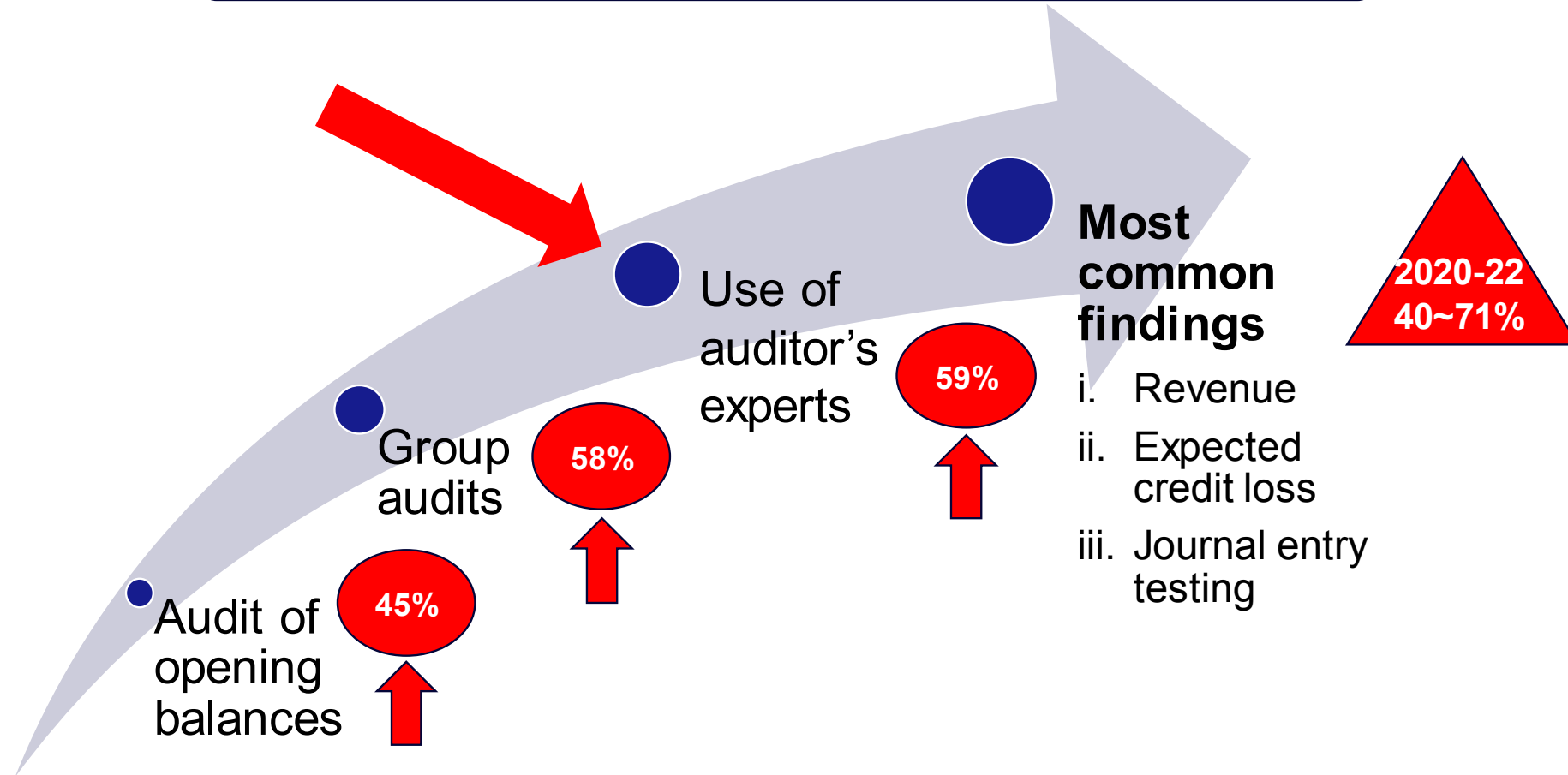
Common findings in PIE engagement inspections

Findings with significant improvement



Common findings in PIE engagement inspections

Key areas of engagement findings are significant to audit quality



PARTNERSHIP

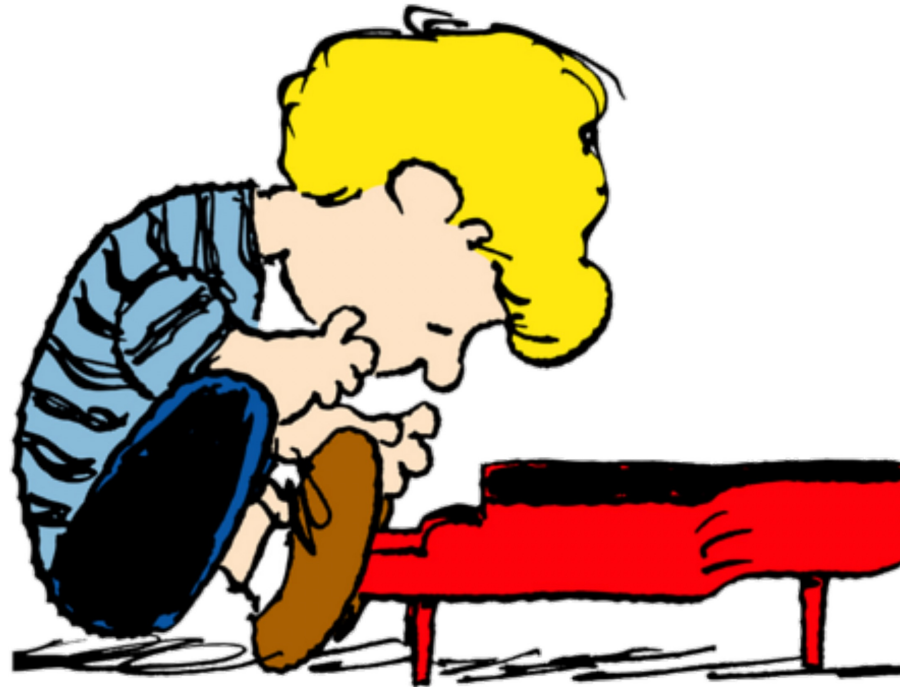


Partnership with AFRC

Challenges and opportunities of actuaries

1. Importance of actuarial expertise to the financial stability of HK
2. Upholding professional standards to serves interests of clients and the public
3. Collaboration and interdisciplinary approach with accountants and auditors
4. Ensure public trust and confidence through quality reporting
5. Effective communication and stakeholder engagement
6. Emerging trends and challenges (e.g., Sustainability and Climate reporting)

Life is like a
piano;
how well is it
depends on
how you play it!



Communication

People and leadership

Strategic insight