

Further reform of accounting profession regulatory regime

The Government published in the Gazette today (July 16) the Financial Reporting Council (Amendment) Bill 2021 to further develop the Financial Reporting Council (FRC) into a full-fledged independent regulatory body for the accounting profession.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "The Bill seeks to further enhance the independence of our regulatory regime of the accounting profession in line with international developments with increased coherence and efficiency, hence reinforcing our status as an international financial centre and business hub."

Under the proposed regime, regulatory powers currently vested with the Hong Kong Institute of Certified Public Accountants (HKICPA) will be transferred to the FRC, including issue of practising certificates; registration of practice units and local Public Interest Entities (PIE) auditors; inspection, investigation and discipline over practice units; and investigation and discipline over certified public accountants (CPAs).

In transferring these regulatory powers to the FRC, the scope of the powers and the types and levels of relevant sanctions will follow those in the regime currently implemented by the HKICPA. The HKICPA will continue to discharge various functions including ascertaining qualification for registration as CPAs by conducting examinations; registering CPAs; setting standards on professional ethics, accounting, auditing and assurance; and setting requirements for continuing professional development, etc. These functions will be put under the FRC's oversight.

Mr Hui said, "The principle of proportionality will be adopted in the FRC's future exercises of its proposed regulatory functions over the accounting profession that is different when compared to the existing regulation over PIE auditors. For all the regulatees to be newly handled by the FRC (including small and medium practices which do not work on PIE engagements) under the proposed new regime, the regulatory scope and requirements applicable to them will remain comparable to those currently provided in the Professional Accountants Ordinance (Cap. 50)."

The Government has engaged stakeholders including the FRC, the HKICPA, major accounting bodies, accounting professionals and practices, and trade groups who are users of professional accounting services. The Legislative Council (LegCo) Panel on Financial Affairs was also briefed on July 5. Stakeholders are generally supportive of the direction of the proposed reform.

The Bill will be introduced into the LegCo for first reading on July 21.