

Press Release

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AFRC highlights the importance of continuous professional development in ensuring audit quality and managing talent

The Accounting and Financial Reporting Council (**AFRC**) today publishes an article titled [*Continuing Professional Development as a Key to Improving Audit Quality in Hong Kong*](#) to highlight the importance of continuing professional development (**CPD**) in ensuring audit quality and improving staff retention.

The article, referencing relevant empirical research and analysing the current trends in the accounting profession, highlights the link between CPD and audit quality in the context of the need for auditors to acquire new skills and the ongoing transformation of the audit profession. It points out that with the development of new technologies such as artificial intelligence, the increasing need for ESG and climate expertise, and continuing changes in accounting and auditing standards, firms are presented with enormous business opportunities if they focus on CPD as a strategic component of the delivery of high-quality audits and talent management.

Ms Tracy Wong, Acting Head of Policy, Registration and Oversight says, “The AFRC’s 2022 Annual Inspection Report revealed that “lack of knowledge and experience of management team members” and “insufficient training and guidance on accounting knowledge and auditing skills” are amongst the most common causes of audit deficiencies. Moreover, 64% of firms under review were identified as “having insufficient internal training and / or insufficient monitoring of external training attended by professional staff.” Such deficiencies adversely impact firms’ ability to deliver quality audits and negatively affect staff morale. We therefore urge firms to review and enhance their CPD policies, including monitoring and measuring the effectiveness, to uphold audit quality.”

As CPD is an important element for future-proofing the accounting profession, the AFRC sets out expectations for auditors and firms in relation to CPD compliance. At an individual level, the AFRC expects auditors to comply with CPD requirements, adopt a mindset of lifelong learning, and devote effort to acquiring knowledge and skills essential to pursuing their professional development.

At a firm level, the AFRC expects firms to invest in CPD initiatives and encourage staff participation. Firms are recommended to take the following five actions to ensure CPD is effective for the purpose of upholding audit quality and talent management:

- a. Regularly assessing the upskilling needs of staff;
- b. Promoting professional qualifications and offering training sponsorships;
- c. Focusing on outcomes both at the individual and the firm level;

- d. Prioritising efforts to expand the talent pool of the audit profession by attracting and developing audit staff; and
- e. Encouraging staff to broaden their skills, embrace innovation, and adopt a mindset of continuous and lifelong learning.

Ms Janey Lai, Acting CEO of the AFRC, remarks, “We acknowledge the challenges of talent management faced by audit firms. However, amidst the talent shortage, CPD is even more critical to uphold audit quality and hence firms’ reputation. Senior leaders of audit firms should view talent management, particularly CPD, as a core strategic component of their firm and an ethical obligation to their staff, the profession, and the public. In this way, not only audit quality is upheld, but also staff morale is boosted, which is conducive to the sustainable and healthy development of their firms and collectively the accounting profession.”

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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