

Press Release

19 April 2024

AFRC Acts on PricewaterhouseCoopers Whistle-blower Allegations

It has come to the attention of the Accounting and Financial Reporting Council (**AFRC**) that a whistle-blower report has been circulating and reported in the media. The report expressed significant concerns regarding potential alleged deficiencies in PricewaterhouseCoopers' systems of quality management and the quality of the audits of China Evergrande Group. The major allegations include the following claims:

- i. Failure to establish and maintain an effective system of quality control to ensure audit quality and compliance with professional standards and applicable legal and regulatory requirements;
- ii. Failure to adhere to professional standards in respect of the acceptance and continuance of its client relationship with China Evergrande Group for the provision of audits and other professional services;
- iii. Failure to assign appropriate personnel to key positions responsible for the firm's system of quality management which might have compromised the monitoring functions of the firm; and
- iv. Failure to perform adequate audit procedures for the audits of China Evergrande Group.

Given the gravity of these allegations and the necessity to safeguard the interests of the investing public, the broader public interest in the auditing of listed entities, and to maintain public confidence in the integrity of the accounting profession, the AFRC is obliged to initiate an investigation. The AFRC will not hesitate to take stringent enforcement actions against any firms and individuals if they are found to have committed any misconduct or violated the Accounting and Financial Reporting Council Ordinance.

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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