

Press Release

9 October 2024

Navigating economic uncertainty: Insights for 2024 year-end audits

The Accounting and Financial Reporting Council (**AFRC**) today has published [Audit Focus for 2024 year-end audits](#). As we enter the final quarter of 2024, the document provides guidance to auditors in effectively identifying and responding to the elevated risks in financial reporting and auditing created by the current uncertain economic conditions. Critical reminders to auditors are also provided to ensure that audit quality is upheld for the upcoming year-end audits.

In today's rapidly evolving economic landscapes, companies navigate various business opportunities and challenges. These dynamics can lead to intricate audit implications, which require auditors to exercise sufficient due professional care in the performance of work to safeguard the accuracy and reliability of financial information.

To assist auditors in planning and performing the 2024 year-end audits, this Audit Focus highlights key areas that they should pay particular attention to:

Auditor's responsibilities in responding to changes in the business landscape

- Obtain a sufficient understanding of the entity's business and IT environment
- Identify, assess and respond to assessed risks arising from the current economic environment

Other key aspects of audit quality

- Set and reinforce the ethical culture within the audit firm
- Maintain auditor independence
- Comply with all applicable laws and regulations
- Address potential issues related to change in auditor by a listed issuer
- Uphold the performance of quality engagement
 - Ensure sufficient and timely involvement of the engagement partner and the engagement quality reviewer in the audit
 - Recognise the importance of audit documentation and its integrity
 - Assess the impacts of any new and revised accounting and auditing standards
 - Maintain regular and transparent communication with the audit committee

Early and proper audit planning lays the foundation for an effective and efficient quality audit. To that end, this Audit Focus outlines key milestones and essential actions for auditors, management and audit committees of listed entities during different phases of an audit. Highlighting these milestones, particularly those before year-end, enhances the transparency of the audit process and allows for early identification and resolution of significant accounting and auditing issues, thereby ensuring audit quality. Auditors, management and audit committees should refer to these milestones when planning and executing the audits.

Ms Eva Lau, Acting Head of Inspection, stated, “The current dynamic economic environment brings considerable uncertainties for listed entities, increasing the vulnerability to management bias and fraudulent activities. Auditors must stay vigilant regarding how these conditions might impact these entities and exercise heightened professional scepticism throughout the audit, especially during the risk assessment process and in the performance of audit procedures. This Audit Focus, along with the key audit milestones, will equip auditors and other stakeholders with the necessary tools in effectively planning and executing the upcoming 2024 year-end audits.”

Ms Janey Lai, CEO of the AFRC, reiterated, “Firm leadership plays a pivotal role in establishing and ensuring a robust firm-wide system that drives a commitment to continuous quality improvement. Leaders must set the right tone at the top and adopt an assertive and proactive approach in responding to all key areas highlighted in the Audit Focus, ensuring high quality audit is delivered and investors are protected.”

Ms Lai added, “The Audit Focus also arms audit committees of listed entities with essential insights that spark constructive conversations with management and auditors. These insights are crucial for audit committees in fulfilling their roles and responsibilities to safeguard the integrity of the financial reports, which, in turn, helps foster a resilient and sustainable financial ecosystem capable of adapting to an evolving economic landscape.”

End

About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council 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 and promotes the healthy development of the accounting profession.

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

For media enquiries:

Jill Tan

Director, Corporate and Public Affairs

Tel: +852 2236 6025

Email: jilltan@afr.org.hk

Chelsy Chan

Senior Officer, Corporate and Public Affairs

Tel: +852 2236 6066

Email: chelsychan@afr.org.hk