

PolyU DBA Alumni Series (Published on 7th June, 2022)

Interview with PolyU DBAAA Fellows by Dr. Corinna Siu and Dr. Sandra Wong

Dr. Kelvin Wong, SBS, JP
Chairman, Financial Reporting Council

Dr. Kelvin Wong is an alumni of DBA graduated in 2007. He has been serving as Executive Director and Deputy MD of COSCO Shipping Ports Ltd since July 1996. He is the current Chairman of the Financial Reporting Council (FRC). Understanding his background, we presented him with questions around three areas: his career, his public involvement, and his DBA learning experience. We met Dr. Wong in the FRC office in Hopewell Centre and he also introduced himself by the name card as the Chairman of the FRC. In our conversation, he is very proud and shows deep devotion in helping the metamorphosis of the FRC, in fact his sharing was dominated with examples from the FRC work. He has been forthcoming in sharing how he adapts himself in different stages of career development, and how his wish to learn and excel is the driving force underpinning his life-long endeavors.

The DBA training

In his early 40's, after Dr. Wong has established his career comfortably in Cosco Shipping, he enrolled into the Hong Kong PolyU DBA programme. Before joining Cosco Shipping, Dr. Wong has worked in the finance field, in investment banks including taking up the role as a research analyst. When he joined Cosco as a senior management in his 30's, he was very satisfied with the work challenges. When he became more settled in his job, he has the aspiration to learn more and research on the topic of his interest: corporate governance. For his dissertation in the DBA programme, he studied the differences in governance structure between family and non-family businesses. Interestingly, he found when the economic environment is less stable, the family businesses are preferred by investors because of their potential stabilities and family's devotion to the business. The conclusion might not be ground-breaking, however, he enjoyed and learned very much in the process. As corporate governance issue is his interest, the literature review process further deepens his understanding and appreciation on the related issues. In browsing and studying different papers and researches on the topic, he finds it rewarding and valuable as his ability to critically analyse diverse perspectives has been sharpened.

Sensitivity to evidence presented by data and diverse perspectives is key to problem-solving. Dr. Wong quoted an easy-to-understand example to illustrate his point. During an audit reporting investigation, the regulator has to be alert to assess whether the same auditors have used different approaches and standards in their auditing process. If an auditor has been stringent in reporting some companies/units but not the others, the anomalies may suggest irregularities and invite further investigation. The DBA programme helps to develop such a critical mind.



Moreover, he finds the DBA training strengthens his preparatory and planning habits. To complete a research and present a dissertation, he requires careful long and medium planning. On top of reading on the topic, and discussing it with experts, he has to present a proposal to be accepted by his supervisor, conduct the fact-finding, and making the analyses and conclusion. Such training in detailed planning is very useful in his Cosco and FRC work.

Interest and work in the Financial Reporting Council (FRC)

In our conversation with Dr. Kelvin Wong, we are impressed by his passion in the FRC work. He enjoyed discussing his Council work and has the aspiration to further improve the Council to meet the challenges of the future.

In 2019, Dr. Wong agreed to taking up the Chairmanship of the FRC at a time when the FRC took up some of the core functions of the Hong Kong Institute of Certified Public Accountants (HKICPA). The major one is taking up the auditor regulatory regime for Public Interest Entities (PIE) auditors, that is, auditors serving companies listed in HK. Dr. Wong stressed that the move to give the FRC oversight over the Hong Kong auditors from HKICPA is not meant to tighten the regulatory regime, but it is more than a mere transfer of the regulatory power. When asked whether the well-intended change is a challenging one, as it may be unpopular among those who have vested interest in the profession, Dr. Wong sees the challenge at another level.

Dr. Wong sees the change, though challenging, is a necessary one for a better and more effective societal outcome. It is an international mega trend for professionals to be regulated by an independent third party than by its own professional body for the purpose of maintaining independence and integrity in the system and gaining higher level of recognition by the public. In Hong Kong such an arrangement is in want for in the audit reporting sector before 2019. It is legitimate and expected of the HKICPA as a professional body to address the needs of the auditors and accountants as equally important than regulation and discipline. As such, the disciplinary decisions of the HKICPA might have been perceived as skewed towards its members of the public. As early as 2006, the International Monetary Fund and the HKSAR government saw the need for establishing an independent body to improve on the regulatory regime. In 2006, the FRC was established to be responsible for investigations of auditor's auditing irregularities and enquiries of listed company's accounting irregularities. If a case is established after investigations, an investigation report will be referred back to the HKICPA to finalise the verdict, if any. By October 2019, the FRC Bill was further amended so the FRC took up the role of inspecting, investigating and discipline practicing PIE auditors in Hong Kong. Dr. Wong strongly supports such a move seeing it as an important step to keep Hong Kong in par with development of developed economies.

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Since December 2015, Dr. Wong joined the FRC as a Council member, and was appointed as the Chair in December 2018. His senior position in Cosco and the fact that he served as the Chairman of the HK Institute of Directors prepare him well to take up the awesome role for the FRC. During past years, he has been invited to give advice in many statutory reforms where, he said humbly, has given him ample opportunities to learn from others and to build up his own portfolio of experience. His interests in public affairs grow as he contributed more and more. His first exposure in public involvement and contribution was with Trade Development Council (TDC) giving advice on Mainland-China business. In subsequent years, he has served at the Main Board and GEM Listing Committees of the Stock Exchange of HK, Non-executive Director of the Securities and Future Commission and the Operations Review Committee of ICAC.

How Dr. Wong handles challenges

The huge challenge as perceived by Dr. Wong is, not whether the transfer in functions is welcome or not, but how to rightly and appropriately discharge the power of the FRC after the transfer so as to further enhance quality of corporate reporting and to promote long term sustainable development of the accounting professions. He repeated more than once in the interview, that FRC's job is not to stifle the business market by harsh regulatory requirements, its goal is to ensure the business of the auditing profession could be conducted in an orderly manner so as to promote healthy competitions among the professions. Competitions between the audit firms must be benign, not cut-throat. For example, audit fees should not be kept so low to the extent that the operation of audit firms becomes not sustainable, or the low audit fees are artificial rebates for better businesses in other areas of non-audit work. The multi-roles of an auditing firm with one client company (audit and non-audit services) may lead to potential conflict of interests as the auditors might have cognitive biased toward issuing any qualified opinion, in view of the more lucrative non-audit fees from the same company. Such bias may tarnish the independence of the audit firm and the trust vested by the public. If the professional integrity is not being protected, it could possibly hurt the overall image of HK as an international financial hub. All financial products, including insurance products and

securities, should be based on quality audited financial reporting. Therefore, striking the right balance between discharging our statutory duties to the public and promoting the long term sustainability of the accounting profession are the key challenges and impetus of which Dr. Wong takes.

Initiatives within the FRC

As the chairman, he has to be mindful of the tactics and strategies to balance the maintenance of the integrity of the auditing profession, while not stifling healthy and fair competitions among the auditing firms. The major issues of concern are the causality between audit fees and the audit quality. Though the quality of audit reporting is of paramount importance, low audit fee is not conducive toward achieving high audit quality which is a result of the strenuous efforts by the auditor before making an independent assessment of the information presented to them.



In order to do a proper job, the FRC should know the auditing sector well. To better understand the audit market, the FRC has conducted empirical studies of the PIE audit market in the past 10 years, the market share in terms of big, and medium-small auditing firms, and the percentage increase in the audit fees. The FRC understands that the market concentration is with the 6 bigger ones, so they should have a stronger pricing power. However, the result reflects that annual audit fee only rose by less than 1% in the past years, meaning that there was severe competition in the sector. The FRC has to be circumspect as to whether such a low increase in audit fee and its further development would have any potential risk that audit quality is compromised. Though the Council focuses on the audit quality in its disproportionately low audit fee-may be an issue that warrants further attention.

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The FRC has different departments responsible for different regulatory functions. The key issue is that all work must be transparent and accountable to the public. Hence, the FRC has established various oversighting bodies. First, there is a process review panel for all regulators in Hong Kong, including the ICAC and Securities and Futures Commission, etc., to have an oversight on the regulators to ensure the statutory functions of the regulators are carried out in accordance with its established policies. Second, the Council has established Committees to ensure the regulating functions, especially the decisions, of the Council are of consistent quality reflecting the FRC strategic objectives. The process orientation is to ensure both efficiency and the quality of decision making. To achieve this purpose, the FRC establishes systems which are to ensure its staff is accountable for their work and to serve the core purpose of the Council, unbiased by individual idiosyncrasies. Staff is obliged to explain to different committees of any delays and backlogs. Dr. Wong points out that a proper system with clearly laid-out operational standards is essential to ensure quality, furthermore, it is also useful as a platform for staff to learn and to improve.

Staff management and development in the FRC

On one hand, it is important to hire competent staff, but as the Council expands, it is important for the Council to cultivate its own talents in the field and to build up a synchronized team with high sense of consensus. Only then, Council staff could cultivate and maintain a passion in regulatory work. With the current staff strength of 60 to be nearly doubled next year, Dr. Wong has to take note of a number of issues: the internal relationship among staff when a consensual team is to be made. Dr. Wong has introduced the motto of **“one culture one team”** as guidelines to steer the development of the Council. Currently, one third of existing staff are founding staff since 2006, and the rest has been recruited as the Council develops. In the coming year, there will be a substantial number of new recruits which would include current staff from the HKICPA, and new joiners from the legal and accounting fields. Under such circumstances, staff may tend to identify themselves as oldies or new comers and build up their own camps. Even for unit managers, they may have the tendency to deploy more tasks to staff they used to work with. Against such a backdrop, it is therefore important to advocate the importance of one culture one team for all staff.

Another issue is the art of delegation. Dr. Wong has the practice of seeking member's views before and after board meetings, and to follow up board's recommendations with the management team. By doing so, he demonstrates to the staff the beauty of working as a team. For any employees of the Council, they are hired because they are competent for the job, though, in case of need, staff has to be trained and further upgraded to be in par with the requirements of the Council. With the assumption that all staff are competent, the management should be ready to delegate as the work load requires which is important for the healthy development of the Council. The art of delegation is based on trust and respect of competent staff which can further gel the staff into a co-operating team.

Full trust and respect with appropriate deployment must be coupled with clear work targets so that staff could have a sense of ownership at the FRC. Staff should be provided with adequate opportunities, freedom and autonomy to shoulder up responsibilities, to plan for and accomplish results by themselves. Only by then, staff would have a sense of job satisfaction and work accomplishment. The sense of ownership must be based on staff's sense of accomplishment from their work.

Views on his career

During the interview, Dr. Wong did not say much about his present work in the Cosco Shipping as he focused almost exclusively at his work at the FRC. As his career develops, he finds involvement in public responsibilities highly satisfying. He is thankful of his Board for giving him the support to serve the community. In the past years of public involvement, he is happy to see that his work experience and wisdom can contribute toward improving the public policy development. Helping the community generates more satisfaction for him than the contribution to a company.

Aspiration

As the chair, Dr. Wong wants to build the reputation of the FRC as being a fair and effective regulator. Its decisions and investigation process will be widely trusted by the public. Most important of all, its disciplinary decisions are perceived as rational, appropriate and consistent. The ultimate purpose is not to punish and stifle the development of the sector but to improve the quality of the auditing profession and its long term sustainability. The Council's motto is "Efficient process and effective outcome". With such a guiding motto, the regulatory process should not be a prolonged one. To achieve effective regulatory outcome, the decision has to reflect the dual role of the FRC, namely, defender of law and the promoter of good corporate governance. Therefore, as an effective regulatory, the regulatory philosophy of the FRC is to motivate the accounting professions to improve themselves through setting appropriate penalties so that the regulatees are given the opportunities to improve themselves. If the outcomes are not deemed as fair and proper, the industry will not have the genuine aspiration to improve themselves.

Advice to young professionals



Dr. Wong shared his own life motto which is also applicable to the younger generations. He received the motto from his former teacher "**Life is like a piano, how well is it depends on how well you play it**" which he finds most enlightening. Anyone may set one's aim and direction, but it is important to do it as best as one can regardless of one's situation, position, background and limitation. It is another saying of "Do your best, set your aim and direction and plan to achieve the direction with milestone and KPIs". The motto is a good reminder to maintain consistent performance at every step before achieving the final target.