

Press Release

18 May 2021

Press Statement on New Inspection Regime of the Companies Register

The FRC has recently received enquiries about the Government's proposal for the phased implementation of the new inspection regime of the companies register and its potential effect on the work of listed entity auditors.

The FRC notes that different views, including those of the accountancy profession, have been expressed on the proposal, the details of which are still under consideration, and that the draft subsidiary legislation has yet to be published.

Under the current proposal, upon the full implementation of the new inspection regime as provided under sections 47 to 59 of the Companies Ordinance (Cap 622), a company director's usual residential address (URA) and full identification number (IDN) (Protected Information) will not be available for public inspection. The director's correspondence address and partial IDN will instead be made available to the public.

In response to questions raised with the FRC as to how the current proposal may affect the professional work of listed entity auditors, the FRC would like to provide the following statement.

Under both Hong Kong and international standards on auditing, in performing an audit engagement including one for a listed entity, an auditor must obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level, thereby enabling the auditor to draw a reasonable conclusion on which to base the auditor's opinion. Whether sufficient appropriate audit evidence has been obtained for the auditor to do so is a matter of professional judgment.

In any audit process concerning transactions with directors, it should not be assumed that a director's URA and IDN alone would be sufficient appropriate audit evidence, and an auditor must take note of other corroborative or contradictory information before reaching an audit conclusion.

The proposal follows closely the model in the UK where since October 2009, the public register no longer contains a company director's URA but only displays their service address, and a director may apply to have information concerning their URA in historical filings removed from the public register. The FRC notes that other jurisdictions with major international financial centres do not appear to have significant issues with the conduct of audit engagements or related exercises by reason of the lack of access to a director's URA or full IDN. Auditors in Hong Kong, as those in other jurisdictions, are well experienced to assess whether the information available to them from the companies register and from other sources, is sufficient for their purpose in any particular case.

The FRC will be following the development of the proposal and will continue, as before, to uphold the standards of auditing for listed entities in Hong Kong.

END

About the Financial Reporting Council

The FRC is the full-fledged independent listed entity auditor regulator for Hong Kong. We are committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen investor confidence in corporate reporting.

For more information about the statutory functions of the FRC, please visit www.frc.org.hk.

For media enquiries:
Celian Cheung
Associate Director, Corporate Communications

Tel: +852 2236 6025
Fax: +852 2810 6320
Email: celiancheung@frc.org.hk