Driving Financial Reporting and Audit Quality through Better Investor Engagement

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Outline

- How to achieve quality financial reporting?
- What is audit quality and why is it important?
- How to enhance investor engagement?
- What are the roles of FRC to financial reporting and audit quality?
How to achieve quality financial reporting?

- **Preparation**
  - Resources

- **Information**
  - Financial information
  - Non-GAAP financial information

- **Materiality**
  - Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity
What is audit quality and why is it important?

- External audit of financial information
  - Auditors provide an opinion that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e. the financial statements as a whole are free from material misstatement, whether due to fraud or error)
  - Give users confidence that the information can be trusted

- Audit quality
  - 5 Key elements that create an environment which maximizes the likelihood that quality audit are performed on a consistent basis.
  - An environment where there is support from and appropriate interactions among participants in the financial reporting supply chain
What is audit quality and why is it important?

- Framework for Audit Quality (IAASB)
How to enhance investor engagement?

- **Investor relations**
  - Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation (NIRI)

- **Information**
  - Quality of information
  - Presentation and communication of information

- **Support and involvement from the top management**
What are the roles of FRC to financial reporting and audit quality?

Independent auditor regulator

- Inspection
- Investigation and enquiry
- Discipline
- Recognition of overseas auditors
- Oversight of HKICPA’s performance
Thank You!