

## Press Release

30 October 2024

### Overview of the non-public interest entity audit market

The AFRC today publishes its [Overview of the Non-Public Interest Entity Audit Market in Hong Kong \(Overview\)](#). The Overview provides information on the market share of the non-public interest entity (**non-PIE**) audit market, the workload of non-PIE auditors, and the AFRC's expectations on the provision of high-quality audit services by practice units (**PU**s).

From September 2023 to January 2024, the AFRC sent an Inspection Questionnaire to 4,713 PUs, all of which responded. The Overview presents selected findings from the Inspection Questionnaire to the public, allowing for further understanding of the non-PIE audit market in Hong Kong.

#### **Category E PUs captured the largest share of the non-PIE audit market, followed by Category D PUs**

Audits provide financial statement users – including shareholders, creditors, government agencies, customers, and suppliers – the confidence in the financial information of non-PIEs. In terms of the number of audit clients,<sup>1</sup> Category E PUs dominated the non-PIE audit market in 2022, holding the largest share with 195,274 audit clients (67%). Category D PUs came second with 48,557 audit clients (17%), while registered public interest entity auditors (Category A, B and C PUs) served a total of 45,624 audit clients (16%) in 2022.

#### **Partners/directors in Category D PUs were generally responsible for managing significantly more non-PIE audit clients than partners/directors in other categories of PUs**

While Category E PUs had the largest market share in 2022, partners/directors in Category D PUs were generally responsible for managing significantly more non-PIE audit clients. In 2022, Category D PUs had a median of 267 non-PIE audit clients per partner/director. This significantly outstripped the median of Category E PUs (33), as well as Category A, B, and C PUs (64, 67, and 38 respectively).

We noted that one Category D PU had 2,932 non-PIE audit clients per partner/director in 2022, while another Category D PU had 1,464. These numbers exceeded the corresponding median by around 11 and five times respectively. In other words, a partner/director in these two PUs completed the audit of an average of 12 and six non-PIE audit clients per business day throughout the whole year respectively. Managing

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<sup>1</sup> An audit client may include the audit of multiple companies.

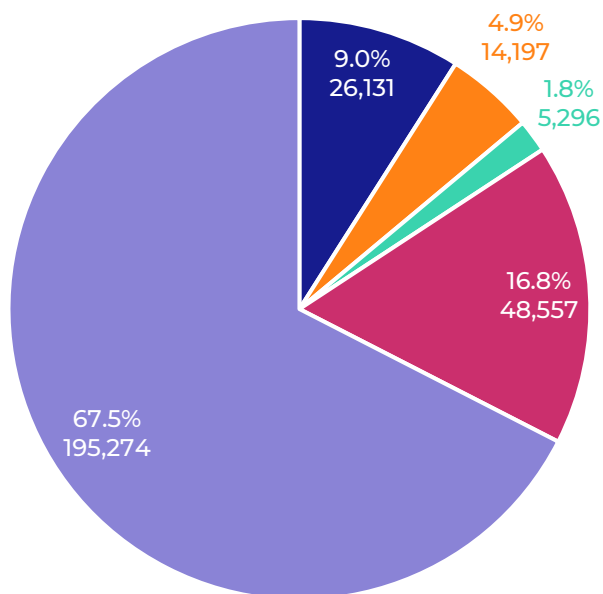
such an enormous portfolio of non-PIE audit clients presents tremendous challenges to audit quality management. Without deploying sufficient time and resources, audit quality will be compromised.

Ms Janey Lai, CEO of the AFRC, said, “The Overview allows the public to gain a better understanding of the non-PIE audit market. The AFRC will continue to monitor non-PIE auditors. This is to promote orderly market operations and safeguard audit quality. The AFRC emphasises that partners/directors must prioritise high-quality audits, ensuring they dedicate sufficient time and resources to provide audit services. Furthermore, regardless of the size of the audit, including the audit of dormant companies, PUs should document concisely and clearly the audit procedures performed and evidence obtained.”

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Appendix

**Total number of non-PIE audit clients: 289,455**



- Category A: PUs with more than 100 PIE audit engagements
- Category B: PUs with 10 to 100 PIE audit engagements
- Category C: PUs with one to nine PIE audit engagements
- Category D: Non-PIE PUs with more than 20 non-PIE audit engagements with more public interest elements and/or more than 500 non-PIE audit engagements
- Category E: PUs not in Categories A, B, C, or D

## 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.afrc.org.hk](http://www.afrc.org.hk).

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