


Tips and Guidance to Completing the
AFRC Inspection Questionnaire
(September 2023)

AFRC INSPECTION QUESTIONNAIRE - WEBINAR

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Q1. Audit and Other Assurance Services

General Information

1. Did your practice unit provide any audit or other assurance services during
1 January to 31 December 2022?

*

Yes

No

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Q1. Audit & Assurance Engagements

- HKSRE 2400 (Revised 2022) (Engagements to Review Financial Statements) – Limited Assurance
- HKSRE 2410 (Review of Interim Financial Information Performed by the Independent Auditor of the Entity) – Limited Assurance
- HKSAE 3000 (Revised) (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information), excluding AUP's, Compilation, Tax Return, Management consulting, etc.
- HKSAE 3410 (Assurance Engagements on Greenhouse Gas Statements)
- HKSAE 3402 (Assurance Reports on Controls at a Service Organization), excluding AUP's
- HKSAE 3420 (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus) - Reasonable Assurance

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Q4/5/6. Types of Engagements

4. Please provide the information regarding the professional service provided by your practice unit during the years 2021 and 2022.

	1 January to 31 December 2021	1 January to 31 December 2022	
Audit of historical financial information (Audit) (Note 1) of Public Interest Entities (PIEs) as defined in section 3(1) of the Accounting and Financial Reporting Council Ordinance	<input type="checkbox"/>	<input type="checkbox"/>	➔ Slide 5 – Types of PIE's
Audit of historical financial information (Audit) (Note 1) of Entities other than PIEs	<input type="checkbox"/>	<input type="checkbox"/>	➔ Slide 6 – Types of Entities other than PIE
Assurance engagements other than audits or reviews of historical financial information (Assurance) (Note 2)	<input type="checkbox"/>	<input type="checkbox"/>	➔ Slide 7 – Types of assurance Engagements other than Audits or reviews
Investment circular reporting engagements (ICR) (Note 3) for initial public offerings	<input type="checkbox"/>	<input type="checkbox"/>	➔ Slide 8 – ICR Engagements For IPOs
ICR for other than initial public offerings	<input type="checkbox"/>	<input type="checkbox"/>	➔ Slide 9 – ICR other than for IPO

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Q5/6. NUMBERS ON TYPES OF ENGAGEMENTS


Plan in Advance:

1. Maintain a register of clients **(See Template)**
2. Number of audit reports signed per year per CPA
3. Plan forward – 3-way matching (Debit Notes / Bank Statements / Master engagement list)
4. Think of Non-assurance service fees
5. Report dates within 2-year period
6. Update SQM Manual to promote audit quality:
 - Work allocation procedures
 - Budgeting and adequacy of resources
 - Performance appraisal criteria
 - Feedback from External Monitoring Review, Cold File Reviews, past Practice Reviews
 - Adopt Risk-Based Approach on AML & Engagement-level



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Q4a/5a/6a. Types of PIE's

- **Listed entities:** These are entities whose securities are listed on a recognized stock market. Given their public listing, they have a broader range of stakeholders and their financial performance can have a significant impact on the market.
- **Banks and insurance companies:** These entities are heavily regulated due to their significant role in the financial system and economy. Their financial health can affect the stability of the financial system and confidence in the economy.
- **Occupational retirement schemes:** These entities hold and manage retirement funds on behalf of employees. The financial performance and stability of these entities affect the retirement security of many individuals.
- **Mandatory provident fund schemes:** These entities are similar to occupational retirement schemes but are mandatory for all employees. They play a crucial role in ensuring the financial security of employees after retirement.
- **Government Public Bodies / Universities / Tax-Exempt Charitable Organizations**
- **SFC Licensed Corporations**

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Q4b/5b/6c. Types of Audit Engagements other than PIE's

- **Privately-held companies:** These are entities that are not publicly traded on a stock exchange and often have a smaller number of shareholders.
- **Small and medium-sized enterprises (SMEs):** These entities, due to their scale and nature, do not have a broad public interest, but are still crucial to the economy.
- **Non-profit organizations:** These entities, while serving public interest in a broad sense, do not have the same level of financial interest from the public as PIEs (Except for: Charity / UGC funded Universities / Public Bodies)
- **Startups and small businesses:** These entities are often privately owned and do not have the same broad range of stakeholders as PIEs.
- **Statutory Audits**

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Q4c/5c/6c. Assurance Engagements Other Than Audit / Reviews

- **HKSAE 3000** (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information)
- **HKSAE 3402** Assurance Reports on Controls at a Service Organization
- **HKSAE 3410** Assurance Engagements on Greenhouse Gas Statements
- **HKSAE 3420** Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

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Q4d/5d/6d. ICR Engagements for IPO's

- HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars
- HKSIR 400 (Revised) Comfort Letters and Due Diligence Meetings
- HKSIR 500 Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness

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Q4e/5e/6e. ICR Engagements Other than for IPO's

- **Rights Issues:** When a company issues additional shares to its existing shareholders, an ICR may be conducted to examine and report on the financial information included in the rights issue document.
- **Bond Offerings:** In the case of a bond offering, an ICR can be conducted to examine and report on the historical and prospective financial information included in the bond offering circular.
- **Mergers, Acquisitions, and Disposals:** In the context of mergers, acquisitions, or disposals, an ICR might be conducted to examine and report on the pro forma financial information that shows the expected impact of the transaction on the entity's financial performance.
- **Private Placements:** Similar to an IPO, a private placement involves the sale of securities to a small number of select investors. An ICR may be conducted to examine and report on the financial information included in the private placement memorandum.

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Q. 4/5/6 - Supplementary to ICR Engagements Beyond IPOs – HKSIR 200

HKSIR 200 (Revised) deals with an auditor's responsibilities when reporting on revised financial statements or revised auditors' reports presented in investment circulars.

In addition to standard audit documentation, the auditor should document:

- Their understanding of the changes made to the historical financial information, the reasons for such changes, and whether those changes are appropriate.
- The impact of changes on the auditor's report, including modifications to the report.
- Communications with those charged with governance regarding the changes and their impact.

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Q.4/5/6 - Supplementary to ICR Engagements Beyond IPOs – HKSIR 400

HKSIR 400 covers the role of the reporting accountants in the issuance of comfort letters and participation in due diligence meetings.

Additional documentation for compliance with HKSIR 400 might include:

- Communication with the client and other parties about the scope and limitations of the comfort letter.
- The procedures performed to issue the comfort letter, along with the findings.
- Discussions held and questions raised during due diligence meetings, along with any follow-up actions.

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Q.4/5/6 - Supplementary to ICR Engagements Beyond IPOs – HKSIR 500

HKSIR 500 (Revised) provides guidelines for reporting on factual findings on historical financial information included in investment circulars.

Documentation for compliance with HKSIR 500 might include:

- The agreed-upon procedures conducted and the factual findings from those procedures.
- Any exceptions or irregularities identified during the procedures.
- A copy of the report containing the factual findings provided to the client.

Q9. Regulated Entities / PIE's

- a. Authorized Institutions under Banking Ordinance ➡ Slides 15-16
- b. Authorized Insurers under Insurance Ordinance ➡ Slides 17-18
- c. Licensed Corporations and Associated Entities of Intermediaries under Securities and Futures Ordinance ➡ Slides 19-20
- d. Licensed Insurance Broker Companies under Insurance Ordinance ➡ Slide 21
- e. Non-PIE's with Listed Debts in HK ➡ Slides 22-23
- f. Tax-exempted Charities under Section 88 ➡ Slides 24-25
- g. Universities funded under UGC ➡ Slide 26
- h. Public Bodies under PBO ➡ Slide 27
- i. MPF and ORSO schemes ➡ Slide 28
- j. Unlisted Publicly Offered Investment Products ➡ Slide 29

Types of Client

9. Please provide the information on the number of audit clients falling under each of the following categories, for which your practice unit issued an audit report during the years 2021 and 2022.

	During the period from 1 January to 31 December 2021	During the period from 1 January to 31 December 2022
Authorized Institutions as defined under section 2 of the Banking Ordinance (Authorized Institutions)	<input type="text"/>	<input type="text"/>
Authorized Insurers as defined under section 2 of the Insurance Ordinance (Authorized Insurers)	<input type="text"/>	<input type="text"/>
Licensed corporations and associated entities of intermediaries as defined under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Licensed Corporations and Associated Entities of Intermediaries)	<input type="text"/>	<input type="text"/>
Licensed Insurance Broker Companies as defined under section 2 of the Insurance Ordinance (Licensed Insurance Broker Companies)	<input type="text"/>	<input type="text"/>
Non-PIE's whose debts are listed in Hong Kong (Listed Debts)	<input type="text"/>	<input type="text"/>
Charities which are exempt from tax under section 88 of the Inland Revenue Ordinance (Charities)	<input type="text"/>	<input type="text"/>
Universities funded by the public through the University Grants Committee (Universities)	<input type="text"/>	<input type="text"/>
Public bodies (other than Universities) as defined under section 2 of the Prevention of Bribery Ordinance (Public Bodies other than Universities)	<input type="text"/>	<input type="text"/>
Mandatory Provident Funds and Occupational Retirement Schemes regulated by the Mandatory Provident Fund Scheme Authority (MPF and ORSO Schemes)	<input type="text"/>	<input type="text"/>
Unlisted publicly offered investment products in Hong Kong (other than MPF and ORSO Schemes) authorized by the Securities and Futures Commission (i.e., unit trusts and mutual funds, investment-linked assurance schemes, structured investment products, pooled retirement funds, paper gold schemes) (Unlisted publicly offered investment products other than MPF and ORSO Schemes)	<input type="text"/>	<input type="text"/>

Q9a. Authorized Institutions under Banking Ordinance (1/2)

- **Licensed Banks:** These are banks that have been granted a banking license under the Banking Ordinance. They can provide the full range of banking services to their customers.
- **Restricted License Banks:** These banks are often merchant banks or investment banks. They are granted a restricted banking license and their activities are more limited compared to licensed banks. They mainly engage in merchant banking and capital market activities.
- **Deposit-taking Companies:** These are companies that have been granted a deposit-taking company license under the Banking Ordinance. Their activities are limited to taking deposits and making loans and advances.

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Q9a. Authorized Institutions under Banking Ordinance (2/2)

Register of Authorized Institutions:

<https://vpr.hkma.gov.hk/eng/regulatory-resources/registers/register-of-ais-and-lros/>

Additional Obligations as auditor:

Understanding Regulatory Compliance PN 830 (Revised)

- Capital adequacy requirements, the rules governing liquidity and large exposures, and the conduct requirements

Evaluating Compliance with Authorization Conditions

- Capital adequacy, Liquidity Requirements, Risk Management Policies, Governance and Internal Controls, AML Requirements, Integrity of operations, Competence of management

Reporting Significant Non-Compliance

- Obligation to report suspected / actual non-compliance to HKMA

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Q9b. Authorized Insurers under Insurance Ordinance (1/2)

- **Long Term Business Insurers:** These insurers are authorized to carry on insurance business related to life and annuity contracts, pension fund management, permanent health insurance, and capital redemption business.
- **General Business Insurers:** These insurers are authorized to carry on insurance business that is not long term, including motor vehicle insurance, property insurance, liability insurance, and others.

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Q9a. Authorized Insurers under Insurance Ordinance (2/2)

Register of Authorized Insurers:

https://www.ia.org.hk/en/supervision/reg_insurers_lloyd/register_of_authorized_insurers.html

Additional Obligations as auditor:

Understanding Regulatory Compliance PN 810.2 (Revised)

- Solvency margin requirements, rules on establishment of insurance funds, and conduct requirements

Evaluating Compliance with Authorization Conditions

- Capital adequacy, minimum solvency margin requirements, Risk Management Policies, Governance and Internal Controls, AML Requirements, provisions for policy liability valuations

Reporting Significant Non-Compliance

- Obligation to report suspected / actual non-compliance to Insurance Authority

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Q9c. Licensed Corporations and Associated Entities under SFO (1/2)



- **Licensed Corporations:** Entities conducting regulated activities.

Type 1: Dealing in securities - This includes buying, selling, making an offer to buy or sell, or inducing or attempting to induce a person to buy or sell securities, or to enter into any agreement for such activities.	Type 7: Providing automated trading services - This involves providing a trading facility whereby offers to buy or sell securities or futures contracts can be regularly made and accepted by means of automated processes.
Type 2: Dealing in futures contracts - This involves similar activities as Type 1 but with respect to futures contracts instead of securities.	Type 8: Securities margin financing - This involves providing financial accommodation to facilitate the acquisition of securities listed or to be listed on a stock market.
Type 3: Leveraged foreign exchange trading - This includes trading in foreign exchange on a leveraged basis, either for oneself or for any other person.	Type 9: Asset management - This involves managing a portfolio of securities or futures contracts for other persons on a discretionary basis.
Type 4: Advising on securities - This includes giving advice concerning securities, issuing analysis or reports for such purpose, or agreeing to do so.	Type 10: Providing credit rating services - This involves providing credit rating services for the purposes of the SFO.
Type 5: Advising on futures contracts - Similar to Type 4, but this activity relates to futures contracts.	Type 11: Providing clearing agency services - This involves providing clearing agency services which relate to the clearing or settlement of transactions in securities or futures contracts.
Type 6: Advising on corporate finance - This includes giving advice concerning compliance with the rules governing the listing of securities on a stock market, or the rules of a stock market, or concerning offers to dispose of, acquire, or underwrite securities.	Type 12: Providing OTC derivative dealing or advising services - This involves dealing in or advising on OTC derivative products either for oneself or for any other person.

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Q9c. Licensed Corporations and Associated Entities under SFO (2/2)



Licensed Persons and Registered Institutions:

<https://www.sfc.hk/en/Regulatory-functions/Intermediaries/Licensing/Register-of-licensed-persons-and-registered-institutions>

Additional Obligations as auditor:

Understanding Regulatory Compliance PN 820 (Revised)

- Capital and liquidity requirements, dealing with client assets, etc.

Reporting Requirements

- Report on Compliance with Financial Resources Rules (FRR) / Client Money Rules (CMR)
/ Internal Controls over CMR and FRR

Reporting Significant Non-Compliance

- Obligation to report suspected / actual non-compliance to SFC

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Q9d. Licensed Insurance Broker Companies under Insurance Ordinance

Register of Licensed Insurance Broker Companies / licensed insurance intermediaries

<https://iir.ia.org.hk/#/index>

Insurance broking business can typically involve activities like negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or as the agent of another insurance intermediary.

Compliance Reporting Requirements: PN 810.1 (Revised)

- professional indemnity insurance
- minimum capital and net asset requirements
- segregated client monies
- proper books and accounts

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Q9e. Non-PIEs with Listed Debts in HK (1/2)

Non-PIEs can have debts listed in Hong Kong. This typically occurs when these entities issue bonds or other forms of debt securities that are listed on a Hong Kong exchange for raising capital. Even though these entities are not PIEs, the listing of their debts involves a level of public interest, and hence, they come under the purview of the AFRC's inspection.

How to Identify Non-PIE's with Listed Debts?

Auditors can review the listing documents and announcements published by the Hong Kong Stock Exchange to confirm whether their clients' debts are listed, then determine whether these entities are non-PIE's.

Examples:

Large Private Companies / Subsidiaries of Listed Companies / Special Purpose Vehicles (SPVs) – project-oriented entities

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Q9e. Non-PIEs with Listed Debts in HK (2/2)

Subsidiaries / Associates of Listed Entities

Often subsidiaries, if not listed, would not issue debt on Stock Exchange

However, if debts are issued and proceeds used by subsidiaries / associates, or subsidiary is primarily responsible for repayment of listed debt securities.

Therefore, need to analyse the nature of debt issuance.

List of Issuance of Debt Securities:

HKEXNews.hk Search for "Issue of Debt Securities" under "Headline Categories"

<https://www1.hkexnews.hk/search/titlesearch.xhtml>

Search by 12-month periods

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Q9f. Tax-Exempt Charities under Section 88 of IRO (1/2)

Under Section 88, a charity is generally recognized as an institution or trust of a public character that is established for charitable purposes and is exempt from profits tax.

The Hong Kong Inland Revenue Department (IRD) maintains a public list of charities that are exempt from tax under Section 88 of the Inland Revenue Ordinance. This list is available on the IRD's website and is updated regularly.

Register of Tax-Exempt Charities under Section 88:

https://www.ird.gov.hk/eng/tax/ach_search.htm

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Q9f. Tax-Exempt Charities under Section 88 of IRO (2/2)

Auditors should look out for: PN 850 (Revised)

1. Donation receipts
2. Proper use of income and property
3. Structure of board, qualifications and independence
4. Related party transactions – arm's length
5. Examine strategic plans, performance metrics on charity missions & objectives, and how they are monitored
6. Auditor's Report – paragraph with reference to Section 88

e.g. In accordance with the requirements of the Inland Revenue Ordinance Section 88, we have also reviewed the charity's compliance with its governing instruments and the application of its resources towards its charitable objectives. Based on our audit, nothing has come to our attention that causes us to believe that the charity has not complied with these requirements during the year under review

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Q9g. Universities Funded under University Grants Committee (UGC)

Considered as PIE

Funds are used to cover a range of expenses such as staff salaries, general institutional costs, and research.

Register of Universities Funded under UGC

https://www.ugc.edu.hk/eng/ugc/site/fund_inst.html

Points to Note as Auditor:

1. Proper use of Funds
2. Compliance with funding conditions
3. Internal Controls over financial reporting, procurement, payroll, and reporting to UGC.

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Q9h. Public Bodies under Prevention of Bribery Ordinance (except Universities)

Considered as PIE

A public body includes any body that has been, or is established by, the Hong Kong Government for performing a public function. This includes government departments, statutory organizations, public institutions, and other entities that deliver public services or perform public duties

Consideration of Public Bodies:

- * Was the entity established by the Hong Kong Government?
- * Does the entity perform a public function or deliver a public service?

Register of Public Bodies under PBO:

<https://www.gov.hk/en/about/govdirectory/govwebsite/alphabetical.htm>

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Q9i. MPF / ORSO Schemes under MPFSO and ORSO

Considered as PIE

Both types of schemes are overseen by the MPFA, which is responsible for regulating and supervising the operation of MPF and ORSO schemes.

Identification of MPF / ORSO Schemes: PN 860.1 (Revised)

- Registration with the MPFA
- Contributions from employers and employees (for MPF schemes)
- Contributions from employers and/or employees (for ORSO schemes)
- Management by a trustee approved by the MPFA

Register of MPF: <https://www.mpfa.org.hk/en/info-centre/public-registers/registered-mpf-schemes>

Register of ORSO: <https://www.mpfa.org.hk/en/info-centre/public-registers/orso-schemes>

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Q9j. Unlisted Publicly Offered Investment Products

Unlisted Publicly Offered Investment Products are investment vehicles that pool funds from multiple investors to invest in securities or other assets to achieve a specific investment strategy. They are regulated by the SFC under the Securities and Futures Ordinance and the Code on Unit Trusts and Mutual Funds or other relevant codes.

Identification of Publicly Offered Investment Products

- * Authorization by the SFC
- * Offering documents such as prospectus or explanatory memorandum
- Product type (e.g., unit trust, mutual fund, investment-linked assurance scheme, structured investment product, pooled retirement fund, or paper gold scheme)

Register of Unlisted Publicly Offered Investment Products:

<https://www.sfc.hk/en/Regulatory-functions/Products/List-of-publicly-offered-investment-products>

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Q15. Ministry of Finance (MoF) Provisional Regulations

15. Did your practice unit complete any audit engagements that fell within the scope of the Provisional Regulations (**Note**) during the years 2021 and 2022?

- Yes
- No

Note: In May 2015, the Ministry of Finance (MoF) issued the "Provisional regulations on accounting firms' carrying out auditing services for listing of Mainland enterprises outside the Mainland" 《會計師事務所從事中國內地企業境外上市審計業務暫行規定》 (Provisional Regulations), which took effect from 1 July 2015. "Auditing services for listing outside the Mainland" means accounting firms' provision of services for the auditing of financial reports in relation to the direct or indirect issue of stocks, bonds, or other securities, and the listing (including pre-IPO) of Mainland enterprises outside the Mainland, the auditing of annual financial reports after listing, and other services.

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Q15. Ministry of Finance (MoF) Provisional Regulations

- Applicable to the listing of Mainland Enterprises outside of the PRC
- Applicable to IPO and Pre-IPO engagements

Definition of Mainland Enterprises:- Entities incorporated in the PRC, and when the controlling shareholder is a citizen of the PRC

- Requires MoF approval and cooperation with a PRC registered audit firm

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Q17. Ministry of Finance (MoF) Temporary License Arrangements

Temporary License Arrangements

17. Did your practice unit complete any audit engagements under temporary license arrangements (**Note**) during the years 2021 and 2022?

- Yes
 No

Note: Practice units carrying out audit services in the Mainland that are not subject to or exempted from the Provisional Regulations shall apply for a temporary license with MoF. Based on the temporary license regulations 《境外會計師事務所在中國內地臨時執行審計業務暫行規定》 clause 10, each practice unit that has applied and obtained a temporary license is required to file an annual reporting form (境外會計師事務所臨時執業業務報告表) on or before 31 May each year on activities undertaken under temporary license(s) in the preceding year.

Plan in Advance:

1. PRC office
2. PRC Stock take
3. Ownership of PRC office
4. Archive of working papers
5. Cross-border working papers
6. Update SQM Manual

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Q17. Ministry of Finance (MoF) Temporary License Arrangements

- Applicable whenever Audit Work is carried out in the PRC, including stock take arrangements, regardless where the employment agreements are signed.
- Applicable to Hong Kong registered CPA firms with audit staff in the PRC carrying out audit services and reporting to partners in Hong Kong

Auditors should note:

- Location where audit working papers are archived (Cross-Border transfer to Audit Working Papers)
- Where are audit files reviewed?
- Annual reporting to MoF required by 31 May – names of staff, clients and engagement dates
- SQM Manual tailored to account for cross-border activities

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Q19. Audit Regulators Other than the AFRC?

Jurisdiction of Audit Regulators

19. Did your practice unit complete any engagements that fell within the jurisdiction of **audit regulators other than the AFRC** during the years 2021 and 2022?

- Yes
- No

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Q19. Audit Regulators Other than the AFRC? (1/2)

Examples where your clients may be under overseas jurisdictions other than HK:

- A) Audit of subsidiary / associate of a parent company listed overseas
- B) Hong Kong Companies with debt / equity securities listed overseas
- C) Overseas incorporated company with operations / office in Hong Kong
- D) Non-HK Statutory audits
- E) Reporting to Overseas auditors for consolidation purpose / capital raising activities (e.g. IPO, share placement, debt issuance, etc.)

When in doubt, seek professional advice.

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Q19. Audit Regulators Other than the AFRC? (2/2)

Overseas Audit Regulators:

USA - PCAOB	India - NFRA	Australia - ASIC	Indonesia - BPKP
China - MoF / CSRC	France - H3C	S. Korea - FSC / FSS	Netherlands - AFM
Japan - CPAAOB	Brazil - CVM	Russia - FT / CBR	Saudi Arabia - SOCPA
Germany - AOB	Italy - CONSOB	Spain - ICAC	Switzerland - FAOA
UK - FRC	Canada - CPAB	Mexico - CNBV	Turkey - KGK

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines

21. Did your practice unit, by way of business, prepare for or carry out services (Specified Services) specified in paragraphs 600.2.1 or 600.2.2 of the AML Guidelines (**Note**) during the years 2021 and 2022?*

- Yes
 No

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (1/7)

- AML Manual should set out criterion when standard / enhanced Customer Due Diligence procedures are required
- Should NOT only apply simplified CDD. Additional CDD procedures required.

Services specified in para. 600.2.1 include:

- buying and selling of real estate;
- managing of client money, securities or other assets;
- management of bank, savings or securities accounts;
- Organization of contributions for the creation, operation or management of companies;
- creation, operation or management of legal persons or arrangements;
- buying and selling of business entities.

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (2/7)

Para. 600.2.1 Specified Services:

1. Buying and Selling of Real Estate: This could include providing advice on the transaction or managing the financial aspects of the deal.

2. Managing Client Money, Securities or Other Assets: This could involve managing investment portfolios, handling trust funds, or managing other types of financial assets on behalf of clients.

3. Organization of Contributions for the Creation, Operation or Management of Companies: This could involve setting up a company, raising capital, managing company finances, or other activities related to the operation of a company.

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (3/7)

Para. 600.2.1 Specified Services (Continued):

4. Management of Bank, Savings or Securities Accounts: This could involve making payments, managing investments, or other types of account management services on behalf of the client.

5. Creation, Operation or Management of Legal Persons or Arrangements: If your firm assists in the establishment, operation, or management of legal entities or arrangements, this falls within the specified services. This could include providing advice on the structure of the entity or arrangement, assisting with operational matters, or managing the entity or arrangement on behalf of the client.

6. Buying and Selling of Business Entities: If your firm is involved in transactions related to the purchase or sale of business entities on behalf of clients, this falls within the scope of the specified services. This could include providing advice on the transaction, managing the transaction process, or performing due diligence on the business entity.

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (4/7)

Para. 600.2.2 Specified Services:

- 1. Forming Corporations or Other Legal Persons:** If your firm provides services related to the establishment of corporations or other legal entities, including the preparation of necessary documentation and filings, this falls within the specified services.
- 2. Providing a Registered Office, Business Address or Accommodation, Correspondence or Administrative Address:** If your firm provides a physical location or mailing address for a company, partnership or other legal entity, this is part of the specified services.
- 3. Acting as, or arranging for another person to act as, a Director, or Secretary of a Company, a Partner of a Partnership, or a Similar Position in Relation to Other Legal Persons:** This could involve providing corporate governance services, maintaining statutory records, or performing other duties associated with these roles.

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (5/7)

Para. 600.2.2 Specified Services: (Continued)

- 4. Acting, or Arranging for Another Person to Act, as a Trustee of an Express Trust or Similar Legal Arrangement:** This service includes acting as a trustee or arranging for another person to act as a trustee of a trust or similar legal arrangement.
- 5. Acting, or Arranging for Another Person to Act, as a Nominee Shareholder for a Person Other than a Corporation Whose Securities are Listed on a Recognised Stock Market:** This could involve holding shares on behalf of the beneficial owner, voting at shareholder meetings, or performing other duties associated with the role of a nominee shareholder.

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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (6/7)

Typical AML Procedures Required:

Simplified CDD:

A. Client Screening: Client Acceptance / Engagement Continuance / Ongoing Monitoring

- i) Shareholders (25%+), immediate / intermediate
- ii) Directors
- iii) Ultimate Beneficial owner
- iv) Client Entity

B. Documents:

Address Proof

Identify Verification:

Face-2-Face / Real-time online verification / HKID / Passport

Plan in Advance:

1. Update AML Manual
2. Elect Simplified / Standard
3. Check dates of sanction screening
4. Check Identity documents
5. Evidence of Ongoing Monitoring
6. Staff Training on AML
7. Respond to PEP / SIP findings



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Q21/23/25. Specified Services under Para. 600.2.1 / 600.2.2 of AML Guidelines (7/7)

Standard CDD – When to perform?

1. Elevated Risk
2. Significant changes to business operations
3. Identified as special interest persons (SIP)
4. Additional identity verification of individual and company

Enhanced CDD – When to perform?

1. When specified services are provided.
2. Identified as politically exposed persons (PEP), nature of functions entrusted in public bodies
3. High Risk (Country / Business Risk)
4. Unusual / Suspicious Transactions (Source of funds / unrelated 3rd parties / material transactions without supporting / 3rd party accounts used / no commercial substance)
5. Source of Income / Wealth
6. Approval for establish / continuing business relationship

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Q27. Specified Services / PEP / Bearer Shares

27. Please provide the information on the number of Specified Service Clients that met the following descriptions during the years 2021 and 2022.

	1 January to 31 December 2021	1 January to 31 December 2022
Specified Service Clients not physically present for identification purposes (paragraph 620.12.2 of the AML Guidelines)	<input type="text"/>	<input type="text"/>
Specified Service Clients whose owner or management was a politically exposed person (paragraphs 620.12.2 to 620.12.18 of the AML Guidelines)	<input type="text"/>	<input type="text"/>
Specified Service Clients with capital in the form of bearer shares (paragraph 620.12.21 of the AML Guidelines)	<input type="text"/>	<input type="text"/>
Other high risk Money Laundering/Terrorist Financing (ML/TF) situations, please specify:	<input type="text"/>	<input type="text"/>

Plan in Advance:

1. Perform Enhanced CDD
2. Frequency of updates / monitoring
3. CO / MLRO Approval for business relationship
4. Identify transactions and perform further CDD
5. Identity verification of UBO & shareholders



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Q31. CDD using Intermediaries

31. Please provide information on whether your practice unit performed its own Customer Due Diligence (CDD) or relied on the CDD performed by intermediaries during the years 2021 and 2022? If yes, please indicate below.

	1 January to 31 December 2021	1 January to 31 December 2022
By your practice unit	<input type="checkbox"/>	<input type="checkbox"/>
Relied on network firms	<input type="checkbox"/>	<input type="checkbox"/>
Relied on network firms	<input type="checkbox"/>	<input type="checkbox"/>
Relied on overseas intermediaries acceptable under paragraph 620.13.8 of the AML Guidelines	<input type="checkbox"/>	<input type="checkbox"/>
Other intermediaries, please specify:	<input type="checkbox"/>	<input type="checkbox"/>

Plan in Advance:

1. When there is a change, account for how CDD was/is performed before and after the change.
2. Revision to AML manual
3. Staff training before and after
4. Service provider assessment – jurisdiction similar to HK and applies FATF recommendations.



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Q32. Non F2F Identify Verification

32. Did your practice unit accepted a non-face-to-face approach (i.e., no physical meetings) to take clients' instructions from and deliver services to Specified Service Clients during the years 2021 and 2022?

- Yes
- No

- Adopt risk-based approach
- Elevate risk level
- Standard / Enhanced CDD (Additional ID document)
- Use technology e.g. Facial Recognition Software / Secured Video Conferencing

Plan in Advance:

1. AML Manual accounts for non-F2F meetings and procedures
2. Evidence of adoption of risk-based approach



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Q35. Simplified / Standard / Enhanced CDD

35. Please provide the information on the number of Specified Service Clients in which your practice unit performed the following types of Customer Due Diligence (CDD) during the years 2021 and 2022.

	1 January to 31 December 2021	1 January to 31 December 2022
Simplified CDD	<input type="text"/>	<input type="text"/>
Standard CDD	<input type="text"/>	<input type="text"/>
Enhanced CDD	<input type="text"/>	<input type="text"/>

- Consistency with Q. 21 to 32
- Should perform Enhanced CDD on Specified Service Clients

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Inspection Preparation Checklist!

1. Prepare in Advance! 6-week notification period!
2. Maintain a comprehensive engagement list (Use our excel template)
3. Perform 3-way matching between engagement list, invoices and bank statements
4. Consider Independence arrangements and AML procedures for non-assurance engagements
5. Engage External Monitor Reviewer / Cold File Reviewers
6. Review AML Manual and Procedures and Record-Keeping Documentation
7. Review SQM Manual and Policies and Record-Keeping Documentation

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External Monitor Reviewer

Considerations:

1. Decide Scope of review! High Fees & High Compliance Risk engagements
2. Distinguish between MR and EQR
3. Ongoing Policy Monitor should cover AML & SQM Review
4. MR should be familiar with Inspection findings
5. Evidence of Monitor reviewer's help in the Practice's Quality Management process
6. Ensure monitor reviewer's comments are taken up in following year's audit
7. Ensure you have appointed a monitor reviewer every 3 years.

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Engagement Reviews / Completed File Reviews

Focus on the following areas:

1. Client Acceptance / Engagement Continuance Procedures
2. Independence of non-assurance engagements
3. Audit Planning (risk assessment & internal controls)
4. Revenue Recognition & Management override of control
5. Other significant risk areas (e.g. areas with judgement / accounting estimates)

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System of Quality Management (SQM) Manual

- Promote audit quality
 - i) Use feedback from Monitor reviewer / EQ Reviewer / Past practice reviews
 - ii) Perform performance appraisals and highlight engagement audit quality rather than utilization rates
 - iii) Provide staff training
 - iv) Perform monthly / quarterly high-level review of engagement budgeting to assess adequacy of resources
 - v) Design policies for topics covered in this Webinar

Perform annual evaluation and Root-cause analysis by 15 December 2023

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Inspection Preparation Package HK\$66,500 (Includes 40% discount)

Services Included:

1. External Monitoring Review Report (Qualified CPA Signed)
2. High-Level Review of 2 High Compliance Risk audit engagements
3. Ongoing Policy Monitoring Review
4. Use of AP3.0 Advanced for 60 Audit Engagements
5. Drafting / Review of SQM Manual & Implementation documentation
6. Drafting / Review of AML Manual & Implementation documentation
7. Inspection FAQ and Answers
8. Ad-hoc Technical Consultancy

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AP3.0 Advanced (Trial) + 1 File Review HK\$27,500 (Includes 35% discount)

Step 1: Audit Program 3.0 Advanced Plan – 20 Credits to generate 20 audit programs for 20 audit engagements (30-day trial period)

Step 2: One Engagement File Review (Unregulated Entity / Non-Group Audit only) – Identify deficiencies and provide recommendations on remedial actions

Step 3: Step-by-Step tailored guidance on how to efficiently incorporate AP3.0 in your practice's audit process and align with your other existing audit working papers

Register for New Online Webinar on AP3.0 (Sep 2023)

Working papers are now generated together with completed audit programs!

Registration Link: <https://eqcadvisory.com/ap3-0/>

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Contact EQC to Prepare for AFRC Inspections in Advance

 Telephone	 Website	 Address
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For customized quotations, contact us now. Thank you!