

Policy Statement for the Registration of PIE Auditors

Introduction

1. The Accounting and Financial Reporting Council (“**AFRC**”) is an independent body established under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (“**AFRCO**”).
2. The AFRC is empowered to register practice units as registered public interest entity (“**PIE**”) auditors under Division 2 of Part 3 of the AFRCO (“**registered PIE auditors**”).

Definitions

3. In this Policy Statement, the following terms have the meanings defined in the AFRCO as set out below (the definitions in the AFRCO shall prevail in case of any inconsistency):

| Terms | Meanings defined in the AFRCO | Section under the AFRCO |
|--|--|-------------------------|
| certified public accountant (“ CPA ”) | A CPA means a person registered as a certified public accountant by virtue of section 22 of the PA Ordinance. | 2(1) |
| certified public accountant (practising) (“ CPA (practising) ”) | A CPA (practising) means a CPA holding a practising certificate. | 2(1) |
| corporate practice | A corporate practice means a company registered as a corporate practice under Division 3 of Part 2A of the AFRCO. | 2(1) |
| CPA firm | A CPA firm means: <ul style="list-style-type: none">• a CPA (practising) who practises accountancy on the accountant's own account under a firm name registered under Division 2 of Part 2A of the AFRCO; or• a firm of CPAs (practising) that practises accountancy in partnership and is registered under Division 2 of Part 2A of the AFRCO. | 2(1) |
| engagement partner | An engagement partner means a partner or other person authorised by a practice unit or registered PIE auditor to be responsible for the PIE engagements carried out by the unit or auditor. | 2(1) |

| Terms | Meanings defined in the AFRCO | Section under the AFRCO |
|-------------------------------------|---|------------------------------------|
| engagement quality control reviewer | An engagement quality control reviewer means a person authorised by a practice unit or registered PIE auditor to oversee the engagement quality control reviews carried out in relation to the PIE engagements carried out by the unit or auditor. | 2(1) |
| Listing Rules | <p>Listing Rules mean:</p> <ul style="list-style-type: none"> • the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; or • the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, <p>approved by the Securities and Futures Commission under section 24 of the Securities and Futures Ordinance (Cap. 571), and as in force at the material time.</p> | 2(1) |
| PA Ordinance | PA Ordinance means the Professional Accountants Ordinance (Cap. 50). | 2(1) |
| PIE | A PIE means a listed corporation the listed securities of which comprise at least shares or stocks, or a listed collective investment scheme. | 3(1) |
| PIE auditor | A PIE auditor means a registered or recognized PIE auditor. | 3A(1) |
| PIE engagement | <p>A PIE engagement means any of the following types of engagements for the preparation of:</p> <ul style="list-style-type: none"> • an auditor’s report on a PIE’s financial statements / annual accounts required by section 379 of the Companies Ordinance (Cap. 622), the Listing Rules or any relevant code; • a specified report required to be included in a listing document for the listing of a corporation’s shares or stocks or for the listing of a collective investment scheme; or • an accountant’s report required under the Listing Rules to be included in a circular issued by a PIE for a reverse takeover or a very substantial acquisition. | 3A(1); Part 1 of Schedule 1A |

| Terms | Meanings defined in the AFRCO | Section under the AFRCO |
|---|---|-------------------------|
| practice unit | <p>A practice unit means:</p> <ul style="list-style-type: none"> • a CPA (practising) who practises accountancy on the accountant's own account under the accountant's own name as registered under section 22(2) of the PA Ordinance; • a CPA firm; or • a corporate practice. | 2(1) |
| practising certificate | A practising certificate means a practising certificate issued under section 20AAD or 20AAI of the AFRCO. | 2(1) |
| quality control system responsible person | A quality control system responsible person means a person authorised by a practice unit or a registered PIE auditor to be responsible for the quality control system of the unit or auditor. | 2(1) |
| recognized PIE auditor | A recognized PIE auditor means an overseas auditor recognized under Division 3 of Part 3 of the AFRCO, including a Mainland auditor recognized under section 20ZT of the AFRCO. | 3A(1) |
| registered responsible person | A registered responsible person means an individual whose name is recorded in the PIE auditors register as a responsible person of the registered PIE auditor. | 2(1) |
| relevant code | <p>A relevant code means:</p> <ul style="list-style-type: none"> • a code or guideline published under section 112ZR of the Securities and Futures Ordinance (Cap. 571), as in force at the material time; or • a code or guideline published under section 399 of that Ordinance for providing guidance in relation to the operation of section 104 of that Ordinance, as in force at the material time. | 2(1) |
| responsible person | <p>A responsible person in relation to a practice unit or a registered PIE auditor means:</p> <ul style="list-style-type: none"> • an engagement partner; • an engagement quality control reviewer; or • a quality control system responsible person. | 2(1) |

Purpose of this document

4. The purpose of this Policy Statement is to provide an overview of the legal regime for the registration of PIE auditors.
5. For an outline of the application and notification process, please refer to the [“Outline of the AFRC’s Process for the Registration of PIE Auditors”](#) available on the AFRC’s website.

Objectives of registration and recognition of PIE auditors

6. The AFRC is entrusted with the statutory duty to regulate the accountancy profession. An effective regulatory regime of the accountancy profession is crucial for the business community and is essential for maintaining Hong Kong’s status as an international financial centre.
7. All auditors intending to carry out a PIE engagement are subject to a system of registration (for practice units) and recognition (for overseas auditors). Through registration and recognition, the AFRC can uphold the standards of auditors of PIEs, which is critical to enhancing the quality of financial reporting and audit quality of PIEs.
8. This Policy Statement relates to the registration of practice units as registered PIE auditors. For more information concerning the recognition of overseas auditors as recognized PIE auditors, please refer to the [“Policy Statement for the Recognition of PIE Auditors”](#) available on the AFRC’s website.

Undertaking and carrying out a PIE engagement

9. All practice units intending to undertake (i.e. accept an appointment for carrying out) or carry out a PIE engagement must first apply to the AFRC in the form and way specified by the AFRC and accompanied by the fee specified in Schedule 3B of the AFRCO and be registered with the AFRC as a registered PIE auditor. Sections 20B and 20G of the AFRCO

Eligibility for registration as a registered PIE auditor

Responsible persons

10. A registered PIE auditor must ensure that it has, at all times, the following three types of registered responsible persons: Section 20U of the AFRCO
 - (a) at least one registered engagement partner;
 - (b) at least one registered engagement quality control reviewer; and
 - (c) at least one registered quality control system responsible person.
11. When applying for registration as a registered PIE auditor, the applicant should therefore provide a list of all the applicant’s nominated responsible persons to the AFRC. Section 20G of the AFRCO

12. A person may be nominated for one or more of the three roles as specified in paragraph 10 above. However, as the same person cannot act as both a registered engagement partner and a registered engagement quality control reviewer in relation to the same PIE engagement, the applicant must nominate at least two different persons for registration. Section 20U of the AFRCO

Approval criteria

13. An application for registration as a registered PIE auditor will not be granted unless the AFRC is satisfied that: Section 20H of the AFRCO
- (a) the applicant is a practice unit;
 - (b) where the applicant is a:
 - (i) CPA (practising) – the applicant is a fit and proper person to be a CPA;
 - (ii) firm of CPAs (practising) – each partner of the applicant is a fit and proper person to be a CPA; or
 - (iii) corporate practice – each director of the applicant is a fit and proper person to be a CPA;
 - (c) each responsible person of the applicant specified in the application is a fit and proper person to be a CPA; and
 - (d) the quality control system responsible person of the applicant specified in the application is the chief executive officer or a member of the managing board of partners of the applicant.

Determination of fit and proper

14. The AFRC will have regard to the following matters in determining whether a person is fit and proper to be a CPA: Section 20Q of the AFRCO
- (a) professional qualification, knowledge, skills and experience;
 - (b) reputation, character, reliability and integrity;
 - (c) financial status and solvency;
 - (d) any disciplinary action taken against the person under the AFRCO or the PA Ordinance; and
 - (e) any conviction of any offence in Hong Kong or elsewhere.

Decision on the application

15. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may: Sections 20H, 20P and 20S of the AFRCO
- (a) grant the application without condition;
 - (b) grant the application subject to conditions (see paragraphs 25 and 26 below); or

- (c) refuse the application.
16. The AFRC will inform the applicant of its decision by written notice and issue a copy of the notice to each responsible person of the applicant listed in the application. The written notice will include a statement of reasons where the application is granted subject to conditions or refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to grant the application subject to conditions or refuse the application may apply to the Accounting and Financial Reporting Review Tribunal (“**Tribunal**”) for a review of the decision (see paragraph 38 below).

Sections 20I, 20S and 37Q of the AFRCO

Validity of registration

17. If the AFRC approves the application, the practice unit will be registered as a PIE auditor and the approved responsible persons will be registered as responsible persons of the auditor from the day specified by the AFRC in the written notice.
18. The registration expires on 31 December of the year in which the registration takes effect.

Section 20J of the AFRCO

Section 20J of the AFRCO

Renewal

19. The registration of a PIE auditor is subject to annual renewal. A renewal application must be made by the registered PIE auditor between 1 October and 16 November of the year in which the current registration expires.
20. The AFRC will only grant a renewal application if it is satisfied that the registered PIE auditor continues to meet all the requirements set out in paragraph 13 above and:
- (a) if the applicant was a CPA (practising) when the applicant was first registered – the applicant continues to be a CPA (practising);
 - (b) if the applicant was a firm of CPAs (practising) when the applicant was first registered – the applicant continues to be a firm of CPAs (practising); or
 - (c) if the applicant was a corporate practice when the applicant was first registered – the applicant continues to be a corporate practice.
21. The AFRC will consider the information submitted by the applicant as well as any other available information in its possession and then make a decision on the application. The AFRC may:
- (a) grant the application without condition;
 - (b) grant the application subject to conditions (see paragraphs 25 and 26 below); or
 - (c) refuse the application.
22. The AFRC will inform the applicant of its decision by written notice and issue a copy of the notice to each registered responsible person of the applicant. The written notice will include a statement of reasons where the application is granted subject to conditions or refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to grant

Sections 20J and 20K of the AFRCO

Section 20L of the AFRCO

Sections 20L, 20P and 20S of the AFRCO

Sections 20M, 20S and 37Q of the AFRCO

the application subject to conditions or refuse the application may apply to the Tribunal for a review of the decision (see paragraph 38 below).

23. If the AFRC approves the renewal application, the registration of the PIE auditor will be renewed from the day specified by the AFRC in the written notice and expires on 31 December of the year in which the renewal takes effect. [Section 20O of the AFRCO](#)
24. Please note that the current registration of a registered PIE auditor will be extended if the auditor has made a renewal application but the application is not finally determined before the expiry of the current registration. The current registration will remain in force until:
- (a) if the registration is renewed – the day on which the renewal takes effect; or
 - (b) if the renewal application is refused – the day on which the refusal takes effect.

Imposition or amendment of registration conditions

25. The AFRC may at any time impose any condition or amend any existing condition in relation to the registration of a PIE auditor that the AFRC considers appropriate. [Section 20S of the AFRCO](#)
26. If the AFRC decides to impose or amend such a condition, the AFRC will inform the registered PIE auditor by written notice and issue a copy of the notice to each registered responsible person of the auditor. The notice will include a statement of reasons for the decision. A registered PIE auditor who is aggrieved by a decision of the AFRC to impose or amend a condition may apply to the Tribunal for a review of the decision (see paragraph 38 below). [Sections 20S and 37Q of the AFRCO](#)

Obligations of a registered PIE auditor

Registered responsible persons

27. A registered PIE auditor must not authorise any person who is not a registered engagement partner, registered engagement quality control reviewer or registered quality control system responsible person of the auditor to carry out any activity in the respective roles of the auditor. It is an offence for a person to carry out any activity as an engagement partner or an engagement quality control reviewer of a registered PIE auditor if the person is not respectively a registered engagement partner or registered engagement quality control reviewer of the auditor. [Section 20D, 20E, 20F and 20V of the AFRCO](#)
28. A registered PIE auditor must ensure that its registered quality control system responsible person is provided with sufficient resources and support to carry out the responsible person's duties. Such responsible person must use his or her best endeavours to ensure that the registered PIE auditor:
- (a) has established and maintains a quality control system in relation to the PIE engagements carried out by the auditor; [Section 20W of the AFRCO](#)

- (b) has established policies and procedures for monitoring the quality control system; and
 - (c) complies with the policies and procedures.
29. If a registered PIE auditor proposes to add the name of a person to the list of its registered responsible persons, it must apply to the AFRC. The name of the person may be added if the person meets the requirements in paragraphs 13(c) and (d) above. The AFRC will inform the applicant of its decision by written notice and issue a copy of the notice to the proposed responsible person. The written notice will include a statement of reasons where the application is granted subject to conditions or refused by the AFRC. An applicant who is aggrieved by a decision of the AFRC to grant an application subject to conditions or refuse the application may apply to the Tribunal for a review of the decision (see paragraph 38 below).

Sections 20S, 20Y and 37Q of the AFRCO

Notification of changes in particulars or changes in responsible persons, partners and directors

30. A registered PIE auditor must, within 14 days after the day on which any of the following changes takes place, inform the AFRC of the change by submitting a relevant notification form to the AFRC:
- (a) a registered responsible person ceases to be a responsible person of the registered PIE auditor;
 - (b) a person becomes or ceases to be a partner or director of the registered PIE auditor; or
 - (c) a change in the full name, business address, telephone number and/or electronic mail address of the registered PIE auditor or any of its registered responsible persons.
31. A person who contravenes the above requirement without reasonable excuse commits an offence.

Sections 20Z and 20ZA of the AFRCO

Sections 20Z and 20ZA of the AFRCO

Failure to meet a requirement after registration

32. If a registered PIE auditor fails to meet a requirement specified in paragraphs 10, 13(b), 13(c) or 13(d) above (“**specified requirement**”) the auditor must, within 7 days after the day on which the failure begins, inform the AFRC of the failure by written notice. A person who contravenes the above requirement without reasonable excuse commits an offence.
33. The registered PIE auditor is required, within 14 days after notifying the AFRC, to take steps to ensure that the specified requirement is met.
34. If the registered PIE auditor still fails to meet the specified requirement on the expiry of the 14-day period, the AFRC may revoke or suspend the registration of the auditor. The AFRC will inform the registered PIE auditor of any such revocation or suspension by

Section 20X of the AFRCO

Section 20X of the AFRCO

Sections 20X and 37Q of the AFRCO

written notice and issue a copy of the notice to each registered responsible person of the auditor. The notice will include a statement of reasons for the decision. The registered PIE auditor who is aggrieved by a decision of the AFRC to revoke or suspend the registration may apply to the Tribunal for a review of the decision (see paragraph 38 below).

Revocation or suspension of registration on other non-disciplinary grounds

35. The AFRC must revoke the registration of a PIE auditor:
- (a) where the auditor was a CPA (practising) when the auditor was first registered:
 - (i) if the auditor dies; or
 - (ii) if the auditor ceases to be a CPA (practising);
 - (b) where the auditor was a firm of CPAs (practising) when the auditor was first registered:
 - (i) if the auditor ceases to operate and the partnership is dissolved; or
 - (ii) if the auditor ceases to be a firm of CPAs (practising); and
 - (c) where the auditor was a corporate practice when the auditor was first registered:
 - (i) if the auditor has commenced to be wound up; or
 - (ii) if the auditor ceases to be a corporate practice.
36. The AFRC may also revoke or suspend the registration of a PIE auditor if:
- (a) the auditor requests the AFRC to do so; or
 - (b) the AFRC is satisfied that the auditor has been registered:
 - (i) by mistake; or
 - (ii) in consequence of any misleading, false or fraudulent statement, declaration or representation, whether orally or in writing.
37. The AFRC will inform the registered PIE auditor of any such revocation or suspension by written notice and issue a copy of the notice to each registered responsible person of the auditor. The notice will include a statement of reasons for the decision. A registered PIE auditor who is aggrieved by a decision of the AFRC to revoke or suspend the registration may apply to the Tribunal for a review of the decision (see paragraph 38 below).

Review of the AFRC's decision

38. Any person who is aggrieved by a decision of the AFRC made in relation to the person to:
- (a) refuse a registration or renewal application;
 - (b) impose or amend a condition in relation to the registration of a PIE auditor;

- (c) refuse to add the name of a person to the list of registered responsible persons of a registered PIE auditor; or
- (d) revoke or suspend the registration of a PIE auditor for failure to meet requirements after registration or on other non-disciplinary grounds,

may, within 21 days beginning on the day after a notice of the decision is issued by the AFRC, apply to the Tribunal for a review of that decision.

- 39. The Tribunal is independent of the AFRC. The Tribunal consists of a chairperson and two other ordinary members from the Tribunal panel, all of whom must not be public officers. The chairperson and members of the Tribunal panel must be appointed by the Chief Executive of the HKSAR. Section 37N and Schedule 4A of the AFRCO
- 40. The Tribunal may determine a review in relation to the decision by: Section 37T of the AFRCO
 - (a) confirming, varying or setting aside the decision; or
 - (b) remitting the matter in question to the AFRC with any direction it considers appropriate.
- 41. If the decision is set aside, the Tribunal may make another decision it considers appropriate in substitution. Section 37T of the AFRCO

Appeal

- 42. If the AFRC or a party to a review is dissatisfied with the determination of the review made by the Tribunal, the person may, within 30 days after the day on which the determination is issued to the AFRC or the party, apply to the Court of Appeal for leave to appeal against that determination on a question of law and/or fact. Sections 37ZF and 37ZG of the AFRCO
- 43. Leave to appeal may only be granted if the Court of Appeal is satisfied that the appeal has a reasonable prospect of success or there are some other reasons in the interests of justice that the appeal should be heard. Section 37ZG of the AFRCO
- 44. On an appeal against a determination of the Tribunal, the Court of Appeal may: Section 37ZH of the AFRCO
 - (a) allow the appeal;
 - (b) dismiss the appeal;
 - (c) vary or set aside the determination; or
 - (d) remit the matter in question to the Tribunal or the AFRC with any direction it considers appropriate.
- 45. If a determination of the Tribunal is set aside, the Court of Appeal may make another determination it considers appropriate in substitution. Section 37ZH of the AFRCO

Levy payable by registered PIE auditors

46. A registered PIE auditor is required to pay an annual levy to the AFRC starting from 2022. The levy is calculated in accordance with Schedule 7 of the AFRCO. [Section 50C of the AFRCO](#)

Disclaimer

47. This document provides a summary for reference only. It is not legal advice. Applicants should seek their own legal advice. In the event of any inconsistency between this document and the AFRCO, the AFRCO shall prevail.