

# Statement of Protocol

between

## Financial Reporting Council

and

## Hong Kong Institute of Certified Public Accountants

### on Oversight Arrangements

#### 1. Introduction

- 1.1 This Statement of Protocol is entered into between the Financial Reporting Council of 29<sup>th</sup> Floor, High Block, Queensway Government Offices, 66 Queensway, Hong Kong; and the Hong Kong Institute of Certified Public Accountants of 37<sup>th</sup> Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.
- 1.2 The Financial Reporting Council is empowered under section 10(2)(d) of the Financial Reporting Council Ordinance (Cap 588) to enter into this Statement of Protocol.
- 1.3 The Hong Kong Institute of Certified Public Accountants is empowered under section 18 of the Professional Accountants Ordinance (Cap 50) to enter into this Statement of Protocol.

#### 2. Definitions

- 2.1 In this Statement of Protocol, save where the context otherwise requires, the following terms shall have the meanings attributed to them:

Term	Meaning
CEO	Chief Executive Officer
CPD	Continuing professional development
FRC	Financial Reporting Council
FRCO	Financial Reporting Council Ordinance (Cap 588)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKICPA Council	Council of the HKICPA

Term	Meaning
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
Information	All non-public information, records and documents passed between the Parties under and pursuant to this Statement
PAO	Professional Accountants Ordinance (Cap 50)
Party or Parties	FRC and HKICPA, separately or together
PIE	A public interest entity defined under section 3(1) of the FRCO
PIE auditor	An auditor of a PIE defined under section 3A of the FRCO
PIE auditors register	The register of PIE auditors established under section 20ZX of the FRCO
Registered PIE auditor	A practice unit registered under Division 2 of Part 3 of the FRCO or a registered PIE auditor (provisional)
Registered PIE auditor (provisional)	A practice unit taken to be a registered PIE auditor under section 88(3) of the FRCO
Statement	Statement of Protocol

### 3. The Parties

3.1 The FRC is a statutory body established under the FRCO to:

- (a) regulate auditors of listed entities through a registration and recognition mechanism, and through inspection, investigation and disciplinary sanction;
- (b) oversee the HKICPA's performance of the following functions:
  - (i) dealing with applications and other matters relating to the registration of PIE auditors;
  - (ii) establishing and maintaining the PIE auditors register;
  - (iii) setting CPD requirements for Registered PIE auditors; and
  - (iv) setting standards on professional ethics, and auditing and assurance practices, for Registered PIE auditors;
- (c) monitor, through enquiries, the compliance by listed entities of regulatory requirements for financial reports; and
- (d) with respect to each of the inspections, investigations or enquiries, to decide on, and carry out, the appropriate action in accordance with the FRCO.

- 3.2 The HKICPA is a statutory body established under the PAO to:
- (a) register accountants and issue practising certificates in Hong Kong;
  - (b) regulate the professional conduct and standards of members;
  - (c) set codes of ethics and standards of accounting and auditing;
  - (d) regulate the quality of entry to the profession through its qualification programme and related courses;
  - (e) provide continuing education and other services to members; and
  - (f) promote the accountancy profession both in Hong Kong and overseas.

#### **4. Purpose of this Statement**

- 4.1 Under section 10(1A) of the FRCO, the FRC may, for performing its functions under section 9(b) (which is reproduced in paragraph 3.1(b) above):
- (a) request the HKICPA to provide information and periodic reports on the HKICPA's performance of a specified function;
  - (b) conduct assessment on the HKICPA's performance of a specified function; and
  - (c) if satisfied that it is in the public interest to do so, give written directions to the HKICPA on the performance of a specified function.

A "specified function" means a function of the HKICPA mentioned in section 9(b) of the FRCO.

- 4.2 Under section 10(1B) of the FRCO, the HKICPA must comply with any direction given under section 10(1A)(c) (i.e. Paragraph 4.1(c)).
- 4.3 To facilitate cooperation between the Parties in discharging their respective statutory functions, the Parties have agreed to enter into this Statement to set out clearly the oversight arrangements to be put in place between the Parties.

#### **5. Status of this Statement**

- 5.1 The Parties acknowledge and agree that:
- (a) they have entered into this Statement in good faith and for the purpose of facilitating a cooperative working relationship;

- (b) the provisions of this Statement should receive such fair, large, and liberal construction and interpretation as will best ensure the attainment of the objects of this Statement according to its true intent, meaning, and spirit;
- (c) this Statement is not intended to create any binding legal obligations or to fetter the discretion of the Parties in any way in discharging their functions or to create any rights in third parties; and
- (d) nothing in this Statement shall affect the rights of the Parties to exercise any of their powers or perform any of their functions under the FRCO, the PAO or other relevant legislation.

**6. FRC's oversight over the HKICPA in relation to the registration of PIE auditors (including dealing with applications, renewals and establishing and maintaining the PIE auditors register)**

6.1 The Parties agree that representative(s) from the FRC will sit on the HKICPA Registration and Practising Committee, being the relevant committee responsible for the registration of PIE auditors, as an observer i.e. with no right to participate in discussion or decision making, and have full access to materials provided to that body in relation to the registration of PIE auditors.

6.2 Provision of information and periodic reports

6.2.1 The Parties agree that the HKICPA will provide the FRC with:

- (a) the information on the applicable due process in relation to the registration of PIE auditors, including the monitoring of compliance with CPD requirements by PIE auditors and the annual work plan in April of each year;
- (b) the composition and terms of reference of the relevant committee of the HKICPA which handles the registration of PIE auditors in April of each year;
- (c) a "Registration Activity Report" (Annex 1) (in a format agreed from time to time) containing such information as would enable the FRC to understand the activities of the HKICPA in relation to its responsibilities in the registration of PIE auditors for the preceding quarter on or before the 15<sup>th</sup> day of the first month of each quarter (if the 15<sup>th</sup> day is not

a business day, the next business day);

- (d) appended to the Registration Activity Report, all relevant supporting materials including agendas and approved minutes of meetings of the relevant committee of the HKICPA and/or the HKICPA Council in relation to the registration decision concerning PIE auditors, potential amendments to the due process in relation to the registration of PIE auditors, and potential amendments to the qualifications for issue of a practising certificate under section 29A of the PAO, of the preceding quarter;
- (e) full particulars of those PIE auditors who fail to comply with the CPD requirements and any follow-up actions taken by the HKICPA for considering their renewal applications; and
- (f) any other information, documents, or reports in the HKICPA's possession that the FRC may reasonably require for the performance of this oversight function as soon as possible or within a period as specified by the FRC.

### 6.3 Assessment

- 6.3.1 The Parties agree that the FRC will conduct regular assessments of the performance of the HKICPA in relation to the registration of PIE auditors. The HKICPA agrees to cooperate with the FRC to the fullest extent in such assessments. The HKICPA will provide the FRC with reasonable access to its premises, personnel, files, papers, correspondence, minutes, and any other documentation in its possession or in its power to obtain, and to make copies of such materials available to the FRC insofar as that relates to the registration of PIE auditors. The FRC will take all reasonable steps in the course of the assessment to avoid any disruption to HKICPA's operations.
- 6.3.2 The FRC will provide the HKICPA with 30 days' written notice of the commencement of an assessment, and an advance notice of any interview with a member of the HKICPA staff/committee member/Council member involved in the registration of PIE auditors. The Parties agree to apply their best endeavours to complete the assessment and prepare a summary report (see Paragraph 6.3.6) within four months.
- 6.3.3 The FRC may after the assessment make recommendations about the HKICPA's performance in relation to the registration of PIE auditors. The HKICPA shall provide a written response including any follow-up action to the FRC regarding such recommendations.

- 6.3.4 The Parties agree that if the FRC is not satisfied that the proposed HKICPA responses will adequately address the recommendations the FRC shall advise the HKICPA of its concerns in writing. The Parties agree that they will make best endeavours to agree a resolution to the satisfaction of both Parties, including the involvement of relevant committee of the HKICPA and/or HKICPA Council as necessary.
- 6.3.5 In the event that the FRC remains unsatisfied with the proposed HKICPA responses the FRC may exercise its power to issue directions under section 10(1A)(c) of the FRCO (Section 9 of this Protocol).
- 6.3.6 The Parties agree that a summary report on the key findings and recommendations of the FRC's assessment regarding the HKICPA's performance in relation to the registration of PIE auditors will be published on a regular basis and be made available on the websites of the FRC and the HKICPA.

## **7. FRC's oversight over the HKICPA in relation to the setting of CPD requirements for registered PIE auditors**

- 7.1 The Parties agree that representative(s) from the FRC will sit on the HKICPA Ethics Committee, being the relevant committee responsible for the setting of CPD requirements for registered PIE auditors, as an observer i.e. with no right to participate in discussion or decision making, and have full access to materials provided to that body in relation to the setting of CPD requirements for PIE auditors.
- 7.2 Provision of information and periodic reports
- 7.2.1 The Parties agree that the HKICPA will provide the FRC with:
- (a) the information on the applicable due process in relation to the matters concerning the setting of CPD requirements for PIE auditors in April of each year;
  - (b) the composition and terms of reference of the relevant committee of the HKICPA which handles CPD requirements for PIE auditors in April of each year;
  - (c) a "CPD Report" (Annex 2) (in a format agreed from time to time) containing such information as would enable the FRC to understand the

activities of the HKICPA in relation to its responsibilities in matters concerning the setting of CPD requirements for PIE auditors for the preceding quarter on or before the 15<sup>th</sup> day of the first month of each quarter (if the 15<sup>th</sup> day is not a business day, the next business day);

- (d) appended to the CPD Activity Report, agendas and approved minutes of meetings of the relevant committee of the HKICPA and/or HKICPA Council in relation to the setting of CPD requirements for PIE auditors relating to the preceding quarter; and
- (e) any other information, documents, or reports in the HKICPA's possession that the FRC may reasonably require for the performance of this oversight function as soon as possible or within a period as specified by the FRC.

### 7.3 Assessment

- 7.3.1 The Parties agree that the FRC will conduct regular assessments of the performance of the HKICPA in relation to the setting of CPD requirements for PIE auditors. The HKICPA agrees to cooperate with the FRC to the fullest extent in such assessments. The HKICPA will provide the FRC with reasonable access to its premises, personnel, files, papers, correspondence, minutes, and any other documentation in its possession or in its power to obtain, and to make copies of such materials available to the FRC insofar as that relates to setting of CPD requirements for PIE auditors. The FRC will take all reasonable steps in the course of the assessment to avoid any disruption to HKICPA's operations.
- 7.3.2 The FRC will provide the HKICPA with 30 days' written notice of the commencement of an assessment, and an advance notice of any interview with a member of the HKICPA staff/committee member/Council member involved in the regulation of CPD of PIE auditors. The Parties agree to apply their best endeavours to complete the assessment and prepare a summary report (see Paragraph 7.3.6) within four months.
- 7.3.3 The FRC may after the assessment make recommendations about the HKICPA's performance in relation to the setting of CPD requirements. The HKICPA shall provide a written response including any follow-up action to the FRC regarding such recommendations.
- 7.3.4 The Parties agree that if the FRC is not satisfied that the proposed HKICPA responses will adequately address the recommendations the FRC shall advise the HKICPA of its concerns in writing. The Parties agree that they

will make best endeavours to agree a resolution to the satisfaction of both Parties, including the involvement of relevant committee of the HKICPA and/or HKICPA Council as necessary.

- 7.3.5 In the event that the FRC remains unsatisfied with the proposed HKICPA responses The FRC may exercise its power to issue directions under section 10(1A)(c) of the FRCO (Section 9 of this Protocol).
- 7.3.6 The Parties agree that a summary report on the key findings and recommendations of the FRC's assessment regarding the HKICPA's performance in relation to the setting of CPD requirements for PIE auditors will be published on a regular basis and be made available on the websites of the FRC and the HKICPA.

## **8 FRC's oversight over the HKICPA in relation to the setting of standards on professional ethics, and auditing and assurance practices for registered PIE auditors ("PIE standards")**

- 8.1 The Parties agree that representatives from the FRC will sit on the HKICPA Ethics Committee and Auditing and Assurance Standards Committee, being the relevant committees responsible for the setting of standards on professional ethics and auditing and assurance practices for PIE auditors, as an observer i.e. with no right to participate in discussion or decision making, and have full access to materials provided to such committees in relation to the setting of standards for PIE auditors.
- 8.2 Provision of information and periodic reports
- 8.2.1 The Parties agree that the HKICPA will provide the FRC with:
- (a) the information on the applicable due process in relation to the setting of PIE standards, in April of each year;
  - (b) the composition and terms of reference of the relevant standard setting committees of the HKICPA which are responsible for setting PIE standards, and their respective work plan in April of each year;
  - (c) a "PIE Standards Setting Activity Report" (Annex 3) (in a format agreed from time to time) containing such information as would enable the FRC to understand the activities of the HKICPA in relation to its responsibilities in setting PIE standards for the preceding quarter on or before the 15<sup>th</sup> day of the first month of each quarter (if the 15<sup>th</sup> day is

not a business day, the next business day);

- (d) appended to the PIE Standards Setting Activity Report, the following copy materials relating to the preceding quarter:
  - (i) copies of new or revised PIE standards, highlighting any provisions which depart from the equivalent standards/pronouncements issued by the IAASB or IESBA and the reasons for departure; and
  - (ii) agendas and approved minutes of meetings of the relevant committees of the HKICPA and/or HKICPA Council in relation to potential changes to the due process of issuing or specifying PIE standards.
- (e) any other information, documents, or reports in the HKICPA's possession that the FRC may reasonably require for the performance of this oversight function as soon as possible or within a period as specified by the FRC.

### 8.3 Assessment

- 8.3.1 The Parties agree that FRC will conduct regular assessments of the performance of the HKICPA in relation to the setting of PIE standards. The HKICPA agrees to cooperate with the FRC to the fullest extent in such assessments. The HKICPA will provide the FRC with reasonable access to its premises, personnel, files, papers, correspondence, minutes, and any other documentation in its possession or in its power to obtain, and to make copies of such materials available to the FRC insofar as that relates to the setting of PIE standards. The FRC will take all reasonable steps in the course of the assessment to avoid any disruption to HKICPA's operations.
- 8.3.2 The FRC will provide the HKICPA with 30 days' written notice of the commencement of an assessment, and an advance notice of any interview with a member of the HKICPA staff involved in the setting of PIE standards. The Parties agree to apply their best endeavours to complete the assessment and prepare a summary report (see Paragraph 8.3.6) within four months.
- 8.3.3 The FRC may after the assessment make recommendations about the HKICPA's performance in relation to the setting of PIE standards. The HKICPA shall provide a written response including any follow-up action to the FRC regarding such recommendations.

- 8.3.4 The Parties agree that if the FRC is not satisfied that the proposed HKICPA responses will adequately address the recommendations the FRC shall advise the HKICPA of its concerns in writing. The Parties agree that they will make best endeavours to agree a resolution to the satisfaction of both Parties, including the involvement of relevant committees of the HKICPA and/or HKICPA Council as necessary.
- 8.3.5 In the event that the FRC remains unsatisfied with the proposed HKICPA responses The FRC may exercise its power to issue directions under section 10(1A)(c) of the FRCO (Section 9 of this Protocol).
- 8.3.6 The Parties agree that a summary report on the key findings and recommendations of the FRC's assessment regarding the HKICPA's performance in relation to the setting of PIE standards will be published on a regular basis and be made available on the websites of the FRC and the HKICPA.
- 8.4 The Parties agree that the HKICPA will keep the FRC informed of events in relation to the setting of PIE standards organised by local and international standard setters.

## **9. Directions to HKICPA**

- 9.1 The Parties further acknowledge and agree that in respect of the FRC's oversight of the HKICPA's performance of the specified functions as set out in paragraph 3.1(b) of this Statement, if failure in the performance of the specified functions is identified by the FRC and that failure is unable to be resolved by mutual agreement of remedial actions, upon being satisfied that it is in public interest to do so, the FRC may exercise its powers under section 10(1A)(c) of the FRCO and issue a written direction to the HKICPA.
- 9.2 The FRC shall give the HKICPA not less than 30 days' notice in writing of its intention to exercise its powers under paragraph 9.1 and of the reasons therefor. The HKICPA may then make representations in writing to the FRC and may attend the meeting of the FRC to make any oral representations. The HKICPA shall submit any written representations it wishes to make within 14 days upon receiving the written notice from the FRC or, in case of urgent need, before any reasonable deadline the FRC may set.
- 9.3 If the FRC determines that the matter has still not been resolved satisfactorily, the FRC may give the HKICPA written directions as to the furtherance of any of its regulatory objectives. Pursuant to section 10(1B)

of the FRCO, the HKICPA must comply with any direction given by the FRC.

## **10. Liaison**

10.1 The CEO of the FRC (or his/her representative(s)) and Chief Executive & Registrar of the HKICPA (or his/her representative(s)) will meet at least once a year to review the operation of this Statement and any significant matters arising subsequent to the last meeting. The review may include:

- (a) any matters or issues relating to the HKICPA's performance of the specified functions as set out in paragraph 3.1(b) of this Statement; or the FRC's oversight of HKICPA thereof; and
- (b) any policy or other matters, including but not limited to potential changes to the qualifications for registration as PIE auditors, the due process of issuing or specifying PIE standards or CPD requirements of PIE auditors.

10.2 Ad hoc meetings will also be held to inform the FRC of any urgent or emerging significant issues as they arise, with a view to ensuring that FRC's views are taken fully into account before decisions are taken.

10.4 Proper records shall be kept of these meetings.

## **11. Sharing of Information and Confidentiality**

11.1 To the extent permitted by applicable law, each of the Parties will make all reasonable efforts to ensure that the other Party is provided with all relevant information so that it may effectively perform its statutory functions.

11.2 The Parties will hold confidential all Information received under or pursuant to this Statement, and will not disclose such Information without the written consent of the other, unless:

- (a) required by law or permitted by section 51 of the FRCO and sections 32H and 42G of the PAO; or
- (b) for the purpose of seeking advice from, or giving advice by, counsel, or a solicitor, or other professional adviser, acting or proposing to act in a professional capacity in connection with any matter arising under the FRCO.

Where legally permissible, the other Party will be notified upon receipt of a demand for release of Information.

11.3 The Parties will ensure that confidentiality also applies to those who are or have been authorised to have access to any Information according to the applicable laws, in particular:

(a) persons employed, contracted by, or associated with the Parties; or

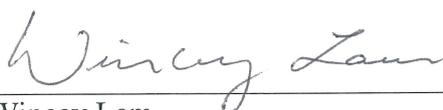
(b) persons involved in the governance of the Parties.

11.4 The Parties will ensure that any Information provided under this Statement is protected at least to the same extent and with the same care as they would protect their own Information of a similar nature and that it is retained and destroyed in accordance with appropriate retention policies.

## 12. Miscellaneous

12.1 The Parties agree that this Statement will remain in force and effect unless and until the Parties agree in writing to terminate the whole or any part of it. The Parties further agree that the annexes to the Statement may be revised by an exchange of letters between the CEO of the FRC and the Chief Executive & Registrar of the HKICPA without amending, restating, or re-signing this Statement.

Signed for and on behalf of  
FINANCIAL REPORTING COUNCIL



Wincey Lam  
Acting Chief Executive Officer  
Dated

Signed for and on behalf of  
HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



Margaret Chan  
Chief Executive & Registrar  
Dated

## Registration Activity Report

Covering the period of : \_\_\_\_\_

### 1. Number of members:

	CPA <sup>1</sup>	CPA (Practising) <sup>2</sup>	Total
Balance at close of preceding quarter			
Renewals			
New applications			
Expiry			
Removals			
Balance at close of the quarter			

### 2. Number of PIE auditors:

	PIE auditors
Balance at close of preceding quarter	
Renewals	
New applications	
Expiry	
Removals	
Balance at close of the quarter	
Analysed by:	
Firms	
Corporate practices	
CPA (Practising) practising in his/her own name	
Balance at close of the quarter	

<sup>1</sup> CPA means a person registered as a certified public accountant by virtue of section 22 of the PAO.

<sup>2</sup> CPA (Practising) means a certified public accountant holding a practising certificate issued by the HKICPA under section 30 of the PAO.

## 3. Number of registered responsible persons for PIE engagements:

	Registered engagement partner	Registered engagement quality control reviewer	Registered quality control system responsible person
Balance at close of preceding quarter			
Renewals			
New applications			
Expiry			
Removals			
Balance at close of the quarter			
Analysed by:			
CPA			
CPA (Practising)			
Others			
Balance at close of the quarter			

## 4. CPD audit for registered responsible persons for PIE engagements:

	Total number as at [date]	Number of individual selected for CPD audit	Results
Registered engagement partner			
Registered engagement quality control reviewer			
Registered quality control system responsible person			

	Particulars of individual who failed to comply with the CPD requirements	Follow-up actions	Remarks
Registered engagement partner			
Registered engagement quality control reviewer			
Registered quality control system responsible person			

5. Remarks (if any, e.g. any emerging significant issues that need to draw FRC's attention)

Submitted by:

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[Name and title]

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## CPD Activity Report

**Covering the period of :** \_\_\_\_\_

1. CPD course offered:

Name of CPD course

2. If the HKICPA is considering a revision to the CPD requirements for registered PIE auditors, please set out below the scope of the revision, the rationale and the considerations in determining the revision. If this information has been included in other documents attached to the CPD Report, please state the documents in which such information is contained.

3. Remarks (if any, e.g. any emerging significant issues that need to draw FRC's attention)

Submitted by:

\_\_\_\_\_  
[Name and title]

## PIE Standards Setting Activity Report

**Covering the period of :** \_\_\_\_\_

1. International events attended in the quarter:

Name of event	Date	Name of attendee	Particulars

2. International events to be attended:

Name of event	Date	Particulars

3. New or revised PIE standards issued in the quarter

Name of PIE standard	Effective Date	Any departure from the equivalent standards/ pronouncements issued by the IAASB or IESBA (Y/N/Not applicable)

4. Remarks (if any, e.g. any emerging significant issues that need to draw FRC's attention)

Submitted by:

\_\_\_\_\_  
[Name and title]