

Press Alert

17 January 2025

AFRC emphasises the importance of adherence to registration requirements for carrying out PIE engagements

The Accounting and Financial Reporting Council (**AFRC**) reminds auditors and their personnel that they must be fully aware of and comply with the registration requirements for conducting public interest entity (**PIE**) engagements as specified in the Accounting and Financial Reporting Council Ordinance (Cap. 588) (**AFRCO**).

The AFRCO stipulates that PIE engagements can only be undertaken and carried out by local PIE auditors registered with the AFRC (**registered PIE auditors**) or overseas PIE auditors recognised by the AFRC. For registered PIE auditors, the AFRCO also sets out specific registration requirements for individuals acting as an engagement partner (**EP**) or an engagement quality control reviewer (**EQCR**) for PIE engagements, including the following:

- (a) Any individual who is to act as an EP or an EQCR of a PIE engagement must be a registered EP or a registered EQCR (as the case may be) of the particular registered PIE auditor concerned, before undertaking any activities in such capacities; and
- (b) A registered PIE auditor must not authorise any person who is not a registered EP or a registered EQCR of that particular registered PIE auditor to carry out any activities in such capacities.

The registration requirements for PIE engagements ensure that activities are conducted by fit and proper individuals. They serve the purpose of safeguarding the audit quality of PIE engagements. Adherence to the registration requirements is essential and failure in this regard will not be tolerated.

Breach of the above-mentioned registration requirements constitutes serious misconduct, which undermines the credibility of the accounting profession. It may also amount to a criminal offence under the AFRCO, which is punishable upon conviction on indictment by a maximum fine of HK\$1,000,000 and imprisonment for 2 years.

The AFRC has initiated several investigations into possible non-compliance with registration requirements for carrying out PIE engagements. We will take stringent enforcement actions against any firms and individuals if they are found to have committed misconduct and may refer the matters to the relevant law enforcement agency.

We urge PIE auditors and relevant personnel to closely follow the AFRC's [Guide for the Registration of PIE Auditors](#) which provides detailed criteria and procedures for registration and renewal applications for registered PIE auditors.

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About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, AFRC spearheads and leads the accounting profession to constantly raise the level of quality of professional accountants, and thus protects the public interest and promotes the healthy development of the accounting profession.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

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