

Registered PIE Auditors



Guide to Application for Registration as Public Interest Entity Auditor

AUGUST 2020



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Introduction

The Financial Reporting Council (Amendment) Ordinance 2019 came into operation on 1 October 2019. A person wishing to perform a public interest entity ("PIE") engagement is required to be registered as a PIE Auditor.

Under the new regime, the Financial Reporting Council ("FRC") assumes full responsibility for the regulation of PIE Auditors, and has inspection, investigation and disciplinary functions with regard to PIE Auditors.

The Hong Kong Institute of Certified Public Accountants ("the Institute"/"HKICPA") is responsible for registering, and setting continuing professional development requirements and standards on professional ethics, auditing and assurance for local PIE Auditors, subject to oversight by the FRC.

Registration of PIE Auditors is governed by Part 3 of the Financial Reporting Council Ordinance (Cap. 588) ("FRCO"). This Guide provides information on the application requirements and procedures for registration as PIE Auditor.

What is a PIE engagement?

Under section 3(1) of the FRCO, a PIE means a listed corporation with listed shares or stocks or a listed collective investment scheme in Hong Kong.

Under Part 1 of Schedule 1A of the FRCO, any of the following types of engagement carried out by an auditor for a PIE is a PIE engagement:

- An auditor's report on the PIE's annual financial statements required by the Companies Ordinance (Cap. 622), the Listing Rules or any relevant code issued by the Securities and Futures Commission;
- An accountant's report required to be included in a prospectus or other listing documents for the listing of a corporation's shares or stocks or for the listing of a collective investment scheme;
- An accountant's report required under the Listing Rules to be included in a circular for a reverse takeover or a very substantial acquisition.

Who can perform a PIE engagement?

Only local auditors which are registered with HKICPA as Registered PIE Auditors or overseas auditors recognized by FRC may carry out PIE engagements. The requirements and procedures for registration as Registered PIE Auditors are described in page 2 onwards of this Guide.

Overseas auditors wishing to undertake any PIE engagement for an overseas entity are required to be recognized as PIE Auditors. FRC is responsible for recognition of PIE Auditors. Overseas auditors wishing to become Recognized PIE Auditors should contact FRC for the relevant application procedures and enquiries.

HKICPA maintains registers of Registered PIE Auditors (local PIE auditors) and Recognized PIE Auditors (overseas PIE auditors) on its website and at its service counter.

It is an offence for any person who is not a Registered or Recognized PIE Auditor to undertake or carry out any PIE engagement or to hold out as a Registered or Recognized PIE Auditor.

Responsible Persons of a Registered PIE Auditor

A Registered PIE Auditor must register the following three types of Responsible Persons with HKICPA:

- (a) Engagement Partner(s), who is responsible for the PIE engagements carried out by the PIE Auditor;
- (b) Engagement Quality Control Reviewer(s), who oversees the engagement quality control reviews carried out in relation to the PIE engagements carried out by the PIE Auditor; and
- (c) Quality Control System Responsible Person(s), who is responsible for the quality control system of the PIE Auditor.

Details of the roles and responsibilities of the above three types of Responsible Persons are set out in the *Hong Kong Standard on Quality Control 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the Institute.

It is an offence for any person who is not a registered Engagement Partner or registered Engagement Quality Control Reviewer of a PIE Auditor to carry out any activity in the respective roles of the PIE Auditor.

Requirements for registration as PIE Auditors

A practising certificate (“PC”) holder practising in his/ her own name, a firm or corporate practice registered with HKICPA (collectively called “practice unit”) may apply to the Council of HKICPA for registration as a PIE Auditor. If the Council is satisfied that the PIE Auditor applicant fulfills all of the following requirements, the application shall be approved and the name of the applicant and other details will be entered into the register of Registered PIE Auditors kept by HKICPA:

- (i) the applicant is a practice unit, i.e. either a PC holder practising in his/ her own name, a firm or corporate practice registered with HKICPA;
- (ii) the applicant nominates individuals who meet the qualification requirements (see the next section) as Responsible Persons of the PIE Auditor, namely:
 - (a) Engagement Partner(s);
 - (b) Engagement Quality Control Reviewer(s); and
 - (c) Quality Control System Responsible Person(s);
- (iii) the CPA (practising), partners of the firm or directors of the corporate practice (as the case may be) are fit and proper persons to be a certified public accountant (“CPA”);
- (iv) each Responsible Person of the applicant, i.e. the Engagement Partner, Engagement Quality Control Reviewer and Quality Control System Responsible Person, is a fit and proper person to be a CPA.



Qualification requirements for the three Responsible Persons

The Responsible Persons nominated by the PIE Auditor applicant need to meet the following qualification requirements for registration:

- (i) The Engagement Partner(s) of the PIE Auditor applicant must be a PC holder. In the case of a firm, he/ she must be a practising partner or authorised signatory. If the applicant is a corporate practice, he/ she must be a practising member director of the practice, or an authorised person (applicable to a sole practising corporate practice only).
- (ii) The Engagement Quality Control Reviewer(s) must be a CPA (i.e. a member of HKICPA) or a member of an accountancy body** which has entered into a recognition agreement with the Institute, and possesses relevant auditing experience enabling him to perform the role in compliance with the Hong Kong Standard on Quality Control 1. He/ She can be an employee of the PIE Auditor applicant or an external person.

** List of accountancy bodies which have entered into recognition agreements with the Institute:

- (a) Association of Chartered Certified Accountants ("ACCA")
- (b) Chartered Accountants Australia and New Zealand ("CA ANZ")
- (c) Chartered Accountants Ireland ("CAI")
- (d) Chartered Institute of Management Accountants ("CIMA")
- (e) Chartered Professional Accountants Canada ("CPA Canada")
- (f) Chinese Institute of Certified Public Accountants ("CICPA")
- (g) CPA Australia
- (h) Institute of Chartered Accountants in England and Wales ("ICAEW")
- (i) Institute of Chartered Accountants of Scotland ("ICAS")
- (j) Institute of Chartered Accountants of Zimbabwe ("ICAZ")
- (k) South African Institute of Chartered Accountants ("SAICA")
- (l) U.S. State Boards of Accountancy ("U.S. CPA")

The Institute has signed recognition agreements with the above bodies with various levels of recognition. Council accepts members of these bodies to register as Engagement Quality Control Reviewers of a PIE Auditor. It does not imply that members of these bodies are eligible for direct admission to the Institute's membership. They will need to fulfill all the conditions in the respective recognition agreement before they can be registered as a CPA (i.e. HKICPA member) if they so wish.

- (iii) The Quality Control System Responsible Person(s) must be a practising partner of the firm or practising member director of the corporate practice AND the chief executive officer or a member of the managing board of partners of the firm/ corporate practice.

If the PIE Auditor applicant is a PC holder practising in his/ her own name or a sole proprietor of a firm/ corporate practice, he/ she can assume the role.

For each of the three Responsible Persons, the PIE Auditor must register at least one such person. However, a person may be registered for one or more of the roles.

Since the Engagement Quality Control Reviewer cannot be the same person as the Engagement Partner of a PIE engagement, if the PIE Auditor is a PC holder practising in his/ her own name or a sole proprietorship firm/ corporate practice, it must register at least one person who is not the sole practitioner as the Engagement Quality Control Reviewer.

What does being a fit and proper person to be a CPA mean?

A PIE Auditor applicant needs to satisfy the HKICPA Council that its Responsible Persons are fit and proper persons to be a CPA, i.e. an HKICPA member, in order to qualify for registration.

The HKICPA Council has set the criteria to consider before determining whether an applicant for HKICPA membership is a fit and proper person to be a CPA (e.g. the person's integrity, reputation and character etc). The fit and proper criteria are accessible from the HKICPA website at:

<https://www.hkicpa.org.hk/en/Membership/Registration-and-licensing/Members-and-Affiliates/Register-as-a-CPA/fit-person>.

Council adopts the same set of criteria in assessing whether a nominated Responsible Person of a PIE Auditor applicant is a fit and proper person to be a CPA.

For each of the criteria, Council takes into account the relevant matters in its assessment of whether the nominated Responsible Person is a fit and proper person to be a CPA, such as criminal conviction in Hong Kong or elsewhere and disciplinary record in any professional or regulatory body etc.



An application for registration as PIE Auditor must contain the declaration(s) by each nominated Responsible Person on whether he/ she has any record of the matters under the fit and proper criteria adopted by Council. The nominated Responsible Person is required to complete and sign a fit and proper declaration form, which is same as the one used by all HKICPA membership applicants, for the purpose.

If the applicant fails to meet the fit and proper requirement, the HKICPA Council may refuse the application or grant the application subject to any condition that the Council considers appropriate to impose under the FRCO, including but not limited to the completion of training in the form of relevant CPD programmes by the Responsible Person(s).

Application procedures for registration as PIE Auditor

Registration of PIE Auditors is open for application with effect from 1 October 2019. All applicants are required to make the application online via the HKICPA website at: <https://www.hkicpa.org.hk/en/Membership/Registration-and-licensing/PIE-Auditor/Online-Application-for-Registration-as-PIE-Auditors>.

If the PIE Auditor applicant is a PC holder practising in his/ her own name, he/ she may access the online system by using his/ her member login ID/ password.

If the PIE Auditor applicant is a firm or corporate practice, it may access the online system by using the firm/ corporate practice's login ID/ password.

An application for registration as PIE Auditor must be accompanied by a fee of HK\$250.

The HKICPA Registration and Practising Committee will examine the application and submit its recommendations to Council for approval.

The result of an application will normally be available 10 weeks after the relevant submission deadline posted on the HKICPA website at:

https://www.hkicpa.org.hk/-/media/HKICPA-Website/HKICPA/section3_registration/PIE-Auditors/submission-deadline.pdf

It is an offence for any person to provide false or misleading information in connection with a PIE Auditor registration application under the FRCO.

Validity of registration

Registration of a Registered PIE Auditor expires on 31 December each year. The application for renewal of registration must be made to HKICPA between 1 October and 16 November, i.e. 45 days before the day on which the current registration expires.

Renewal notices will be issued in late September and Registered PIE Auditors may login to renew their registration online on 1 October after receipt of the renewal notice.

Registered PIE Auditors are required to:

1. pay renewal application fee of HK\$200 online; and
2. submit Annual Return online to confirm whether there is/are changes in the fit and proper status of the Responsible Persons, since his/her first registration as a Responsible Person.

It is specified that the HKICPA Council must not grant a renewal application unless it is satisfied that the applicant is a practice unit and continues to meet all the requirements for registration as a Registered PIE Auditor.

Further information

Please visit the HKICPA website at:

<https://www.hkicpa.org.hk/en/Membership/Registration-and-licensing/PIE-Auditor>.

Enquiries

For enquiries on registration of practice units of HKICPA as Registered PIE Auditors, please call HKICPA at: 2287 7531; or email to pieauditor@hkicpa.org.hk.

For enquiries on inspection, investigation and sanctioning of PIE Auditors and recognition of overseas auditors, please call FRC at: 2810 6321; or email to general@frc.org.hk.

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