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Effective as of 1 December 2023

Statement 1.500

Continuing Professional Development



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

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STATEMENT 1.500

CONTINUING PROFESSIONAL DEVELOPMENT

(Effective as of 1 December 2023)

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Introduction

Scope of this Standard (Ref: Para. A1–A7)

1. This Statement is issued by the Council of the Hong Kong Institute of Certified Public Accountants (Institute) (hereafter referred to the Council) as a direction to prescribe the Continuing Professional Development (CPD) requirements with which members of the Institute must comply for annual membership renewal and/or issuance of a Practising Certificate in accordance with Section 28(2)(c) of the Professional Accountants Ordinance and Section 20AAL(1)(c) of the Accounting and Financial Reporting Council (AFRC) Ordinance. Such requirements contribute to the profession's objective of providing high-quality services to meet the needs of the public, including clients and employers.
2. This Statement also prescribes the CPD requirements with which a former member of the Institute must comply for his or her application of membership. Such applications are governed and handled in accordance with Sections 25, 26 and 28 of the Professional Accountants Ordinance. Under such circumstances, references to "member"/ "members" in this Statement apply to the former member.
3. This Statement prescribes the CPD required for members to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the accountancy profession.
4. The Institute is committed to help members develop and maintain the professional competence necessary to protect the public interest through:
 - (a) Adopting prescribed CPD requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures;
 - (b) Promoting the importance of, and a commitment to, lifelong learning among members; and
 - (c) Facilitating access to CPD opportunities and resources for members.
5. Initial Professional Development (IPD) is the learning and development through which individuals first develop competence leading to performing the role of a member. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable members to continue to perform their roles competently. CPD includes learning and development activities that are relevant to the roles of members, such as: (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking, (f) observation, feedback, and reflective activities, and (g) self-development activities.
6. Professional competence requirements may change as members take on new roles during their careers. CPD that includes many of the same elements as IPD also develops the additional breadth and depth of professional competence which may be necessary when moving into new roles.

Effective Date

7. This Statement is effective as of 1 December 2023.

Objective (Ref: Para. A8–A11)

8. The objective of a member in relation to CPD is to undertake relevant CPD to develop and maintain professional competence necessary to perform his or her role as a professional accountant.

Requirements

Mandatory CPD for all Members (Ref: Para. A12–A19, A30–A31)

9. All members are required to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant.
10. All members, except those exempt from complying with the CPD requirements, are required to:

- (a) Complete at least 120 hours of relevant professional development activity in each rolling three-year period, of which 60 hours shall be verifiable;
 - (b) Complete at least 20 hours of relevant professional development activity in each year; and
 - (c) Measure learning activities to meet the above requirements.
11. Members who are holders of a Specialist Designation awarded by the Institute are required to complete at least 5 verifiable CPD hours per year in the subject of the Specialist Designation, as part of the total requirement for 60 verifiable hours in each rolling three-year period.
12. The reporting period for each year commences from 1 December.
13. Where a former member applies for restoration of membership or issuance of a Practising Certificate after a period of not being registered as a member with the Institute, Council may require him or her to undertake, within a period of time, additional relevant CPD over and above that required in this Statement in order to refresh and update his or her knowledge.

CPD for Engagement Partner (Ref: Para. A20–A29)

14. All members (including Responsible Persons of registered Public Interest Entity auditors) who are performing the role of an Engagement Partner¹ are required to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes included, but not limited to, those listed in Appendix 1.
15. All members (including Responsible Persons of registered Public Interest Entity auditors) who are performing the role of an Engagement Partner are required to undertake CPD that develops and maintains the professional competence required for this role.

CPD for Responsible Person of registered Public Interest Entity (PIE) auditors² (Ref: Para. A32)

16. Members who are Responsible Persons of registered PIE auditors are required to undertake annually at least 5 verifiable hours of CPD activities related to PIE engagements, as part of the existing total requirement for 60 verifiable hours in each rolling three-year period. Such CPD activities should include any of the following:
- (a) Accounting and Auditing standards (in the areas related to the PIE engagements carried out by the member and professional scepticism)
 - (b) Listing Rules issued by The Stock Exchange of Hong Kong Limited
 - (c) Quality management related standards
 - (d) Professional ethics relevant to professional accountants in public practice
 - (e) Regulatory and inspection findings reports
 - (f) AFRC Ordinance

Maintaining CPD Records (Ref: Para. A33)

17. All members, except those exempt from complying with the CPD requirements, are required to maintain appropriate records of all CPD activities completed in each rolling three-year period. Members who have to comply with the CPD requirements are required to maintain records and documentary evidence sufficient to support their attendance or completion of CPD activities for a minimum of five years, and produce such records and documentary evidence when they are selected for an audit conducted by the Institute.

¹ For the purpose of this Statement, hereafter referred to as “Engagement Partner” per the definition set out in Hong Kong Standard on Auditing (HKSA) 220 (Revised), *Quality Management for an Audit of Financial Statements*, Paragraph 12(a).

² For the purpose of this Statement, hereafter referred to as “registered PIE auditors” per the definition set out in AFRC Ordinance.

Monitoring and Enforcement (Ref: Para. A34–A39)

18. All members are required to file a declaration of CPD compliance with the Institute at the time of their annual membership renewal.
19. Members selected for audit by a random sample and/or risk-based process will be asked to submit to the Institute (i) their CPD records of the relevant reporting CPD year(s) with documentation to support attendance or completion of the CPD activities as stated in their CPD records and (ii) a statement to explain how the CPD activities completed were relevant in developing and maintaining their professional competence in performing their role as a professional accountant. Members are reminded of the guidance at paragraph 17 about maintaining records of CPD activities.

Explanatory Material

The explanatory material below provides additional explanation and guidance to the requirements. The material is intended to explain more fully what a requirement means, and may include examples of how to meet the requirements. The explanatory material does not in itself impose any additional requirements; its purpose is to assist in their application.

Scope of this Standard (Ref: Para. 1–6)

- A1. This Statement draws on the CPD requirements as prescribed in the International Education Standard 7 (Revised) "Continuing Professional Development" issued in December 2018 by the International Accounting Education Standards Board of International Federation of Accountants. This Statement also addresses how members meet the obligation of ongoing competence.
- A2. It is the Council's view that requiring members to undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant serves several purposes. It helps protect the public interest, supports the performance of high quality services for clients, employers, and other stakeholders, and promotes the credibility of the accountancy profession.
- A3. Under paragraph R113.1 in Chapter A of the Institute's Code of Ethics for Professional Accountants (Code), a professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:
- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (b) Act diligently and in accordance with applicable technical and professional standards.
- A4. Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of learning outcomes for: (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A5. The knowledge needed to function effectively as a member continues to grow. Members face increased expectations to display professional competence. These pressures apply to members in all sectors. Continuing development and maintenance of professional competence and lifelong learning are critical if the member is to meet public expectations.
- A6. Undertaking CPD does not, guarantee that all members will develop and maintain professional competence necessary to provide high-quality professional services. However, CPD plays an important part in strengthening public confidence and trust by enabling members to develop and maintain professional competence that is relevant to their role.
- A7. Lifelong learning represents the on-going pursuit of technical competence; professional skills; and professional values, ethics, and attitudes. Lifelong learning is critical if members are to meet public interest expectations.

Access to CPD (Ref: Para. 8)

- A8. CPD that is relevant facilitates effective learning and development for members. CPD is relevant where it is closely aligned with the responsibilities of a member's role and helps to develop and maintain the professional competence necessary to perform that role.
- A9. Given the significance of the audit engagement partner role to the public interest, International Education Standard 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (2016) prescribes the professional competence that members are required to develop and maintain as part of a specified role.
- A10. The Institute will provide relevant CPD programs for members and facilitate access to programs offered by others, including employers. Members are not restricted to the Institute's learning activities to meet their CPD requirements.

A11. The following represent examples of planned and unplanned learning and development activities that may be undertaken as CPD:

- (a) Undertaking educational programs or training events, such as in-person learning courses (delivered live or virtually), e-learning courses, conferences, and seminars;
- (b) Reflecting on practical experiences and developing personal development plans through self-assessment activities;
- (c) Participating in, and working on, professional boards, technical committees, sector activities, information networks, communities of practice, or other similar groups;
- (d) Designing, developing, reviewing, or teaching in-person learning courses (delivered live or virtually), e-learning courses, conferences, seminars, or other educational programs and training events;
- (e) Writing articles, papers, or books of a technical, professional, or academic nature;
- (f) Researching subject matter, including reading professional literature and journals, for application in the member's role;
- (g) Studying for professional exams, re-examination, or other formal testing;
- (h) Providing on-the-job training, performance feedback, or professional development guidance as a mentor or coach; and
- (i) Receiving on-the-job training, performance feedback, or professional development guidance from a mentor or coach.

One single repetitive activity, for example, teaching the same introductory accounting course to different audiences, should not constitute a member's total CPD activity.

Mandatory CPD for all Members (Ref: Para. 9–13)

A12. CPD is necessary for all members, regardless of sector or size of the organization in which they operate, because:

- (a) All members have an obligation of professional competence and due care to their clients, employing organizations, and relevant stakeholders, and are expected to perform competently within their professional environment;
- (b) Members in all sectors are subject to public scrutiny and contribute to the maintenance of public trust;
- (c) The public is likely to rely on the designation and professional standing of the member. Lack of competence of a member has the potential to damage the reputation and standing of the member, the employer, the Institute and the accountancy profession as a whole;
- (d) Rapidly changing environments drive the need to develop new areas of professional competence; and
- (e) Employers recruiting members may rely on the professional designation as evidence of professional competence.

A13. Except for a member who holds a Practising Certificate, where a member is a current member of one or more of the following Global Accounting Alliance (GAA) institutes:

- Chartered Professional Accountants Canada (CPA Canada);
- Chartered Accountants Australia and New Zealand (CA ANZ);
- The Institute of Chartered Accountants in England and Wales (ICAEW);
- Chartered Accountants Ireland (CAI);
- The Institute of Chartered Accountants of Scotland (ICAS); and
- The South African Institute of Chartered Accountants (SAICA)

that member may choose, from the above-mentioned GAA institutes of which he/she is a member, which CPD requirements/regulations to comply with. Such compliance is deemed as

compliance with the requirements of paragraph 10(a) and (b) for the year or period concerned.

Members who are holders of a Specialist Designation awarded by the Institute are not permitted to choose to comply with the CPD requirements of another GAA institute as regards any CPD requirements of the Institute relating to the Specialist Designation. The Institute's CPD requirements relating to the Specialist Designation in paragraph 11 must be complied with.

Members who are Responsible Persons of registered PIE auditor are not permitted to choose to comply with the CPD requirements of another GAA institute as regards any CPD requirements of the Institute relating to the Responsible Person of registered PIE auditor. The Institute's CPD requirements relating to the Responsible Person of registered PIE auditor in paragraph 16 must be complied with.

- A14. The Council recognizes that the effectiveness of CPD is best measured in terms of what has been learned and members are encouraged to evaluate CPD activities in terms of relevance to their work and the economic and environmental trends likely to have an impact on the work environment of the accountancy profession. The Council has no intention to discourage the efforts of members to establish other measurement criteria regarding the adequacy of their CPD activities, but for the time being, considers CPD hours to be the measurement criterion, as it is most widely used and accepted.
- A15. Accordingly, for the purpose of this Statement, the learning activities shall be measured in terms of time spent on an hourly basis.
- A16. This Statement is based on the concept that the Institute expects a portion of learning activities that members undertake to be verifiable. Some learning activities, for example on-the-job training; reading; or coaching and mentoring, may be measurable, but may not be easily verified. These activities also contribute relevant CPD because they provide for the development and maintenance of professional competence, but would not be considered to form part of the 60 hours of verifiable CPD in the three-year rolling period. Learning activities that are not able to be verified may still be evidenced and documented, such as, through self-assessment activities and reflective activity.
- A17. The following examples represent verifiable evidence that could be used to demonstrate that the specified number of hours of learning and development activity has been undertaken:
- (a) Course outlines, teaching materials, storyboards (for virtual training);
 - (b) Confirmation that a learning and development activity has been completed (including number of hours) by a provider, instructor, employer, mentor, or tutor (in the case of the Institute's e-Learning courses, the registration form or confirmation of registration);
 - (c) Transcript, examination result slips;
 - (d) Independent assessments that a learning activity has occurred;
 - (e) Confirmation by organizers of participation in activities where learning outcomes have been achieved;
 - (f) Confirmation by organizers of seminar/talks in which one was engaged as a speaker;
 - (g) Meeting agenda objectives and meeting minutes that verify the relevance of the content; and
 - (h) Publication of a professional article or of the results of a research project.
- A18. To ensure former members who reapply for membership have undertaken relevant and recent learning activities to maintain their professional competence for their role as a CPA, such re-applicants may be requested to complete at least 20 hours of relevant and verifiable CPD activities in the last one year at the time of re-application.
- A19. To ensure the members whose membership has been suspended have undertaken relevant and recent learning activities to maintain their professional competence for their role as a CPA, those members may be requested to complete at least 20 hours of relevant and verifiable CPD activities within a specified period of time after their names have been restored to the CPA register, unless the members had undertaken at least 20 hours of relevant and verifiable CPD activities within 12 months before restoration.

CPD for Engagement Partner (Ref: Para. 14–15)

- A20. Appendix 1 identifies the competence areas and related learning outcomes for technical competence, professional skills, and professional values, ethics, and attitudes. A competence area is a category for which a set of related learning outcomes can be specified.
- A21. Other factors in addition to the learning outcomes in Appendix 1 may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to: (a) an Engagement Partner's portfolio of audit engagements, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Appendix 1.
- A22. Irrespective of the size or nature of the audit engagement, and the firm of the Engagement Partner providing the audit, a premise of this Statement is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.

Sole Practitioners and Small and Medium Practices

- A23. By focusing on one specific role rather than an engagement team or firm structure, this Statement recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within small and medium practices. In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

Audit — Learning Outcomes

- A24. Leading the identification and assessment of risks of material misstatements includes consideration of:
- the risks identified by engagement acceptance and continuance procedures;
 - an entity's ability to continue as a going concern;
 - the risks of material misstatement due to fraud and error.
- A25. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.
- A26. Evaluating whether the audit was performed in accordance with Hong Kong Standards on Auditing (HKSA) or other relevant standards, and with relevant laws and regulations, includes:
- concluding whether sufficient appropriate audit evidence has been obtained;
 - consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance;
 - consideration of bias in management's estimates and other areas of judgment.

Organizational — Learning Outcomes

- A27. Examples of areas where an auditor's expert may be used on an audit include, but are not limited to, taxation, information and communications technologies (ICT), legal, forensic accounting, valuations, actuarial services, and pensions.

Professional Skepticism and Professional Judgment — Learning Outcomes

- A28. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor's opinion is based. Professional skepticism involves the application of a questioning mind for the critical assessment of audit evidence. The HKSAs also require Engagement Partners and their teams to exercise professional judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.
- A29. Planning effective CPD in the areas of professional skepticism and professional judgment involves due care and may include a blend of learning methods in which mentoring, reflective activity, and practical experience play a key role.

Exemption from Compliance (Ref: Para. 10)

- A30. The Council has the discretion to grant exemptions and/or extension to members for compliance with the CPD requirements. Such extensions and exemptions will only be granted under special circumstances. No exemption will be granted to members holding Practising Certificates or the roles of Responsible Persons of registered PIE auditor or Specialist Designations or directorship of any companies. Exemptions of the above-mentioned GAA institutes from CPD compliance are not recognized by the Institute.
- A31. Application for exemption or extension supported by documentary evidence, if appropriate, should be made in writing to the Institute. All applications will be considered on a case by case basis. The exemption will be valid for the ensuing years or for a period determined by the Institute as appropriate, unless there are changes in circumstances. Appendix 2 provides information about the criteria which the Institute may take into account in considering applications by members for exemption from the Institute's CPD requirements.

CPD for Responsible Persons of registered PIE auditors (Ref: Para. 16)

- A32. HKICPA prescribes specific CPD requirements for Responsible Persons of registered PIE auditors to ensure they have the knowledge and skills for discharging their duties in performing PIE engagements. Where a member becomes a newly registered Responsible Person of a registered PIE auditor in the middle of a CPD cycle which ends on 30 November, the CPD requirements specific to that Responsible Person of registered PIE auditors would apply to the member on a pro-rata basis to 30 November of that CPD cycle year.

Maintaining CPD Records (Ref: Para. 17)

- A33. Appropriate records of CPD activities include details of the provider of the programme, the learning objectives, course outlines and timetables, agendas of technical committee meetings, instructional materials, case studies, certificates of completion etc. Members may use their discretion in determining the supporting documentation necessary to show that they have participated in a CPD activity. To assist members in maintaining appropriate records, the Institute provides a proforma CPD Record Form and an on-line record at "MyCPA". Members may choose to use their own forms for recording, but are advised to ensure that such forms include all the relevant information of the CPD activities undertaken.

Monitoring and Enforcement (Ref: Para. 18–19)

- A34. CPD records of employees of Practice Units may be subject to review and assessment in practice inspection programmes.
- A35. Compliance with the CPD requirements in this Statement is a condition for renewal of registration and/or renewal of a Practising Certificate by members under Section 28(2)(c) of the Professional Accountants Ordinance and Section 20AAL(1)(c) of the AFRC Ordinance. An application for renewal of registration as a CPA or renewal of Practising Certificate will not be granted if a member fails to meet the CPD requirements prescribed by the Council.
- A36. The Council has delegated to the Registrar of the Institute the authority to carry out an annual audit of members' compliance with the CPD requirements.

- A37. The Registrar or his/her delegate is empowered to make suitable enquiries where members fail to (a) file their annual declarations of CPD compliance with the Institute, (b) comply with the minimum CPD requirements, or (c) provide the necessary information or documentary evidence within a reasonable period of time for the annual audit.
- A38. A member's willful failure to develop and maintain professional competence in compliance with the requirements in this Statement may result in disciplinary action and diminish the member's ability to act in the public interest.
- A39. The Hong Kong Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* paragraph 32 guided that the firm shall establish the following quality objectives in human resources that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management.
- (a) Personnel are hired, developed and retained and have the competence and capabilities to:
 - (i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; or
 - (ii) Perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.
 - (b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.
 - (c) Individuals are obtained from external sources (i.e., the network, another network firm or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements.
 - (d) Engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.
 - (e) Individuals are assigned to perform activities within the system of quality management who have appropriate competence and capabilities, including sufficient time, to perform such activities.

Appendix 1: Learning Outcomes for the Professional Competence of an Engagement Partner

Competence Areas	Learning Outcomes
(a) Audit	<ul style="list-style-type: none"> (i) Lead the audit through active involvement during all phases of the audit engagement. (ii) Lead the identification and assessment of the risks of material misstatement. (iii) Develop an audit plan that responds to the risks of material misstatement identified. (iv) Evaluate responses to the risks of material misstatement. (v) Conclude on the appropriateness and sufficiency of all relevant audit evidence, including contradictory evidence, to support the audit opinion. (vi) Evaluate whether the audit was performed in accordance with Hong Kong Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of the financial statements. (vii) Develop an appropriate audit opinion and related auditor's report, including a description of key audit matters as applicable.
(b) Financial accounting and reporting	<ul style="list-style-type: none"> (i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements. (ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements. (iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management. (iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern.
(c) Governance and risk management	<ul style="list-style-type: none"> (i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.

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Competence Areas	Learning Outcomes
(d) Business environment	(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.
(e) Taxation	(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.
(f) Information and communications technologies	(i) Evaluate the information and ICT environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy. (ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
(i) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity. (ii) Evaluate the potential impact of cultural and language differences on the performance of the audit. (iii) Resolve audit issues through effective consultation when necessary.
(j) Personal	(i) Promote lifelong learning. (ii) Act as a role model to the engagement team. (iii) Act in a mentoring or coaching capacity to the engagement team. (iv) Promote reflective activity.
(k) Organizational	(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.

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Competence Areas	Learning Outcomes
	(ii) Manage audit engagements by providing leadership and project management of engagement teams.
(l) Commitment to the public interest	(i) Promote audit quality and compliance with professional standards and regulatory requirements with a focus on protecting the public interest.
(m) Professional skepticism and professional judgment	<ul style="list-style-type: none"> (i) Apply professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion. (ii) Promote the importance of the application of professional skepticism during all phases of the audit engagement. (iii) Apply professional skepticism to critically assess audit evidence obtained during the course of an audit and reach well-reasoned conclusions. (iv) Evaluate the impact of individual and organizational bias on the ability to apply professional skepticism. (v) Apply professional judgment to evaluate management's assertions and representations. (vi) Resolve audit issues using critical thinking to consider alternatives and analyze outcomes.
(n) Ethical principles	<ul style="list-style-type: none"> (i) Promote the importance of compliance with the fundamental principles of ethics³. (ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.

³ The Fundamental Principles, HKICPA *Code of Ethics for Professional Accountants*, Chapter A, Part 1, section 110.

APPENDIX 2

Guidance on Exemptions

This Appendix is for illustrative purposes only and does not form part of the Statement. The purpose of this Appendix is to illustrate the application of the Statement and to assist in clarifying its meaning.

This Appendix provides information about the criteria taken into account by the Institute in considering applications by members for exemption from the Institute's CPD requirements (paragraphs A30 – A31 of the Statement).

Members seeking exemption in respect of a reporting period ended on a 30 November are asked to apply to the Institute on a timely basis. The Institute may grant exemption from CPD to a member who, at the time of application, is not carrying out any accountancy or accountancy related work, whether paid or unpaid, and does not plan to do so for a significant period of time.

For these purposes, accountancy or accountancy related work includes:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Financial accounting • External financial reporting • Auditing or assurance • Internal auditing • Financial management • Management accounting • Management financial reporting • Information management • Corporate insolvency • Forensic accounting | <ul style="list-style-type: none"> • Personal insolvency • Corporate taxation • Personal taxation • Business rescue or restructuring • Risk management • Corporate finance • Governance • Corporate investment • Investment advice • Business valuation |
|--|---|

The above list is not exhaustive. There may be other work which is of an accountancy nature.

The following should be noted:

1. A period of less than two years would normally be regarded as not significant in the context of the three-year rolling periods for undertaking CPD.
2. The exemption granted will be valid for the ensuing years or for a period determined by the Institute as appropriate, unless and until the member resumes accountancy or accountancy related work or there is a change in the circumstances that gave rise to the exemption. It is the member's responsibility to notify the Institute in those instances.
3. Members of the Institute are required to comply with the five fundamental principles of the Code of Ethics for Professional Accountants (Code) (paragraphs 110.1 A1 and R110.2 of Chapter A). One of these five principles relates to professional competence and due care, which requires an accountant to:
 - (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (b) Act diligently and in accordance with applicable technical and professional standards (paragraph R113.1 of Chapter A in the Code).

In keeping with the Code, where a member resumes accountancy or accountancy related duties after a period of not working or of CPD exemption, Council may require him or her to undertake, within a period of time, additional relevant CPD over and above that required in Statement 1.500 in order to refresh and update his or her knowledge.

Illustrations of exemptions

The following are illustrations of circumstances in which exemption may be granted subject to meeting the criteria in these guidelines:

1. Where a member has fully retired such that he or she no longer carries out any accountancy or accountancy related duties.
2. Where a member takes a complete break from work to look after family.
3. Where a member takes a complete break from work due to illness of that member.

In each of the above circumstances, if and when the member resumes accountancy or accountancy related work, then he or she will need to resume CPD and may be required by the Institute to undertake additional CPD (over and above that required in Statement 1.500) if the period of time away from accountancy or accountancy related work was significant.

Exemption is unlikely to be granted where a member is temporarily out of work. It is assumed that the member is actively seeking new work and therefore plans to resume accountancy or accountancy related work.