AFRC Accounting and Financial Reporting Council
會計及財務匯報局

New and revised quality management standards follow-up survey on the implementation progress by public interest entity auditors

Inspection   **10 November 2022**

About the AFRC

The Accounting and Financial Reporting Council 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.

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

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Foreword

The new and revised quality management standards (the **new QMSs**) will become effective on 15 December 2022. In September 2022, we surveyed Registered public interest entity (**PIE**) Auditors and overseas Recognized PIE Auditors (in total 44 Registered PIE Auditors and 24 Recognised PIE Auditors) with a 100% response rate. I would like to thank all of them for their participation.

This report summarises the survey results of the PIE Auditors' implementation status of the new System of Quality Management (**SoQM**) and the major challenges they have faced during the transformation journey. The report also outlines good practices and key reminders for PIE Auditors implementing the SoQM.

2022 follow-up survey results from PIE Auditors' self-assessment

In January and February 2022, we conducted an initial survey to understand the progress of the Registered PIE Auditors and Recognized PIE Auditors in adopting the requirements of the new QMSs. Our initial survey results showed that 48% of the PIE Auditors had already developed implementation plans, 40% were still developing implementation plans and the remaining 12% had yet to commence.

The follow-up survey was conducted in September 2022. We saw some progress over the months with our follow-up survey results showing that, up to the end of September 2022, 3% of the PIE Auditors had already implemented their SoQM, 65% of the PIE Auditors were on track with their work plan, 29% of the PIE Auditors had fallen behind their scheduled work plan and the remaining 3% had yet to commence the process. In the follow-up survey, all respondents confirmed they are confident that they will complete the implementation process before the effective date of 15 December 2022.

The risk assessment process is one of the new components of the risk-based approach of the new QMSs and is one of the most critical areas when implementing the SoQM. Up to the end of September 2022, 75% of the PIE Auditors have established quality objectives and identified and assessed quality risks, and 54% have established policies and procedures to address the quality risks identified during the firms' risk assessment process.

Most PIE Auditors found that identifying and assessing the quality risks and designing responses to address these risks were the major challenges during the risk assessment process of the SoQM. We encourage all PIE Auditors to continuously reassess and monitor the required resources needed to address these challenges and to ensure that the quality of their work is not compromised.

Our expectations

PIE Auditors that perform audits or reviews of financial statements, or other assurance or related services engagements, are required to comply with the new QMSs from 15 December 2022. In 2023, we will carry out inspections of selected PIE Auditors' SoQM based on the requirements of the new QMSs. PIE Auditors that have not yet commenced the implementation process or have lagged behind their original implementation schedule should take immediate action to ensure their new SoQM is in place by 15 December 2022. We urge PIE Auditors to consider, inter alia, the good practices and key reminders set out in this report when they design and implement SoQM, and evaluate their responses to quality risks in accordance with the new QMSs.

To uphold audit quality in the accounting profession and therefore safeguard the public interest, we will not hesitate to take action against those PIE Auditors whom we find have significant deficiencies in their compliance with the new QMSs.

Janey Lai
Head of Inspection

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Foreword

Section 1
Background of the Survey

1.1   The three new and revised quality management standards (the **new QMSs**), namely, HKSQM 1[1,] HKSQM 2[2,] and HKSA 220 (Revised)[3] and the equivalent international standards issued by the International Auditing and Assurance Standards Board (**IAASB**) with which they are aligned, become effective on 15 December 2022 (**the effective date**).

1.2   Key changes introduced in the new QMSs were set out in our earlier publication "New and revised quality management standards - Survey on implementation progress by PIE Auditors", which was released on 31 March 2022.

1.3   The purpose of this survey result report is to:

a.   Drive PIE Auditors' awareness of the fast-approaching effective date of the new QMSs and to provide an overview of the implementation status of different Category PIE Auditors (section 2.1 to section 2.4);

b.   Set out our observations so that the PIE Auditors can benchmark their own progress against that of their peers (section 2.1 to section 2.4);

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[1] 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 and Conforming Amendments to HKSAs and Related Material Arising from the Quality Management Projects*
[2] Hong Kong Standard on Quality Management 2 *Engagement Quality Reviews*
[3] Hong Kong Standard on Auditing 220 (Revised) *Quality Management for an Audit of Financial Statements*

c. Share good practices by PIE Auditors that have piloted their SoQM so as to provide insights to PIE Auditors that may lack resources and experience in running a pilot (section 3.1 to section 3.4); and

d. Give key reminders for the SoQM implementation so that PIE Auditors can take them into consideration before implementation by the effective date (section 3.5 to section 3.15).

1.4   In advance of the effective date of the new QMSs, we conducted two surveys to understand the progress of the Registered PIE Auditors and Recognized PIE Auditors in adopting the requirements of the new QMSs, one in January to February 2022 and the second in September 2022. The follow-up survey was conducted in September 2022 with the following objectives:

a. To understand, based on the PIE Auditors' self-assessment, their implementation status of the SoQM and understand the main causes of delay, if any (section 2.1);

b. To identify common challenges that PIE Auditors have encountered during the SoQM implementation process (section 2.2);

c. To identify any reassessment of resources required by PIE Auditors (section 2.3);

d. To identify the most widely used implementation guides and materials used by PIE Auditors (section 2.4); and

e. To allow PIE Auditors who have piloted certain components under SoQM to share their good practices and experiences (section 3.1 to section 3.4).

1.5   Questions were designed to facilitate PIE Auditors to assess their implementation progress as at end of September 2022. We received responses from all Category A, B and C PIE Auditors [4] and overseas Recognized PIE Auditors (**All PIE Auditors**). All respondents confirmed that they are confident that they can complete implementation of SoQM before the effective date.

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[4] Category A PIE Auditors perform 100 or more PIE audits, Category B PIE Auditors perform 10 to 99 PIE audits, and Category C PIE Auditors perform at least one but less than 10 PIE audits.
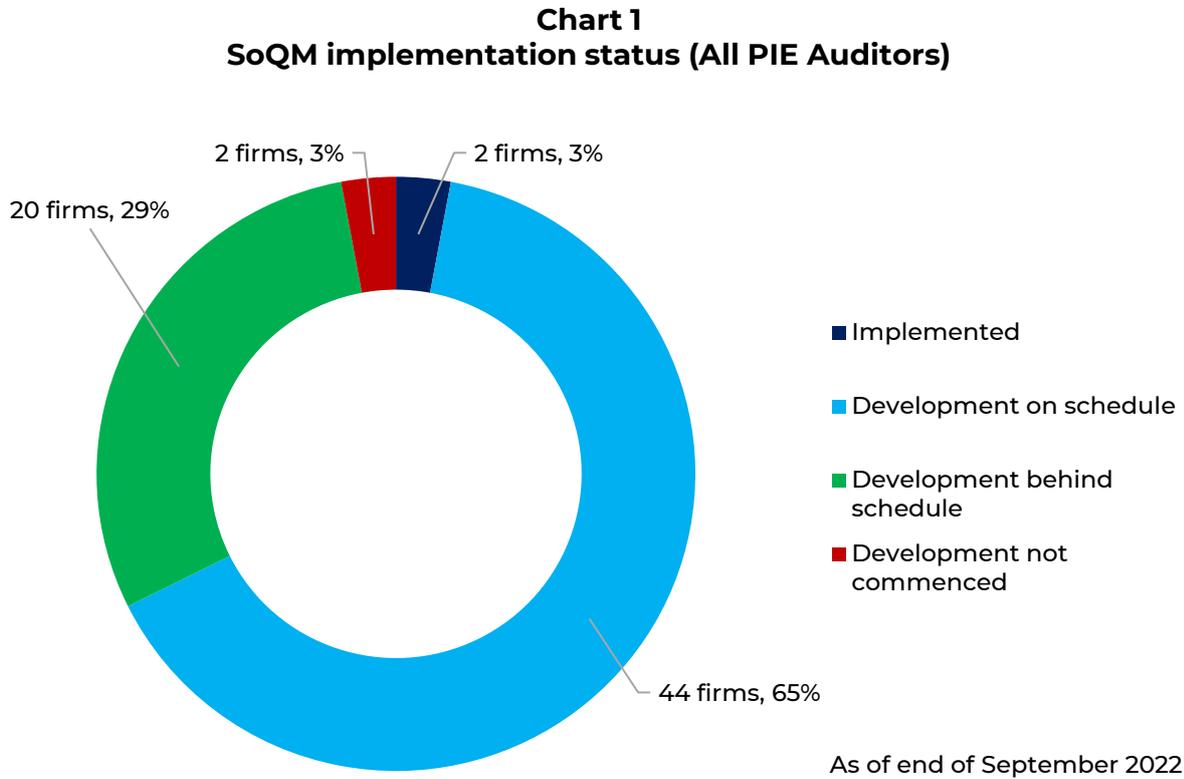
Section 2
Key Survey Results and Observations

Introduction

In this report, we highlight the results and observations of our follow-up survey on the PIE Auditors' implementation progress of SoQM. In the following sections, we summarise the following:

2.1   Overview on the implementation progress of SoQM

2.2   Common challenges encountered by PIE Auditors

2.3   Resources required by PIE Auditors

2.4   Application of implementation guides and materials by PIE Auditors
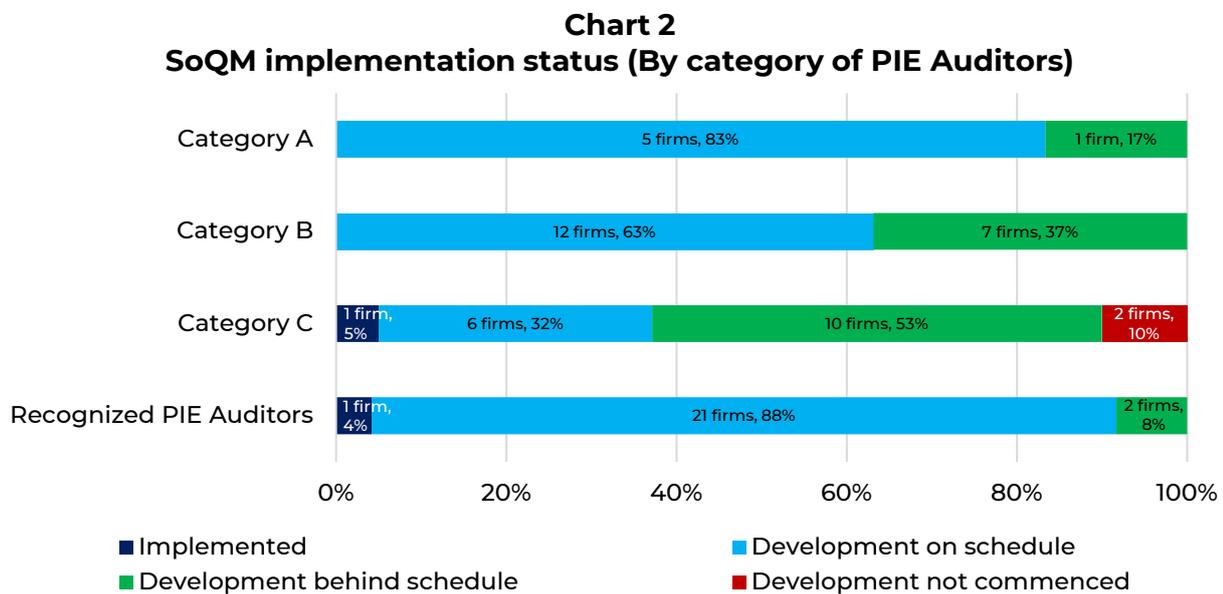
2.1   Overview on the implementation progress of SoQM

Chart 1
SoQM implementation status (All PIE Auditors)

2 firms, 3%   2 firms, 3%

20 firms, 29%

- Implemented

- Development on schedule

- Development behind schedule

- Development not commenced

44 firms, 65%

As of end of September 2022

2.1.1   Chart 1 shows an overview of the SoQM implementation progress of all PIE Auditors. More than half of the PIE Auditors (65%) indicate that their SoQM development is in accordance with their firm's work plan. This demonstrates a high degree of ownership and commitment of leadership by those individuals held accountable in these PIE Auditors.

2.1.2   Notwithstanding the 3% PIE Auditors who have already completed the implementation of their SoQM, it is still disappointing to note that 3% of the PIE Auditors have not even commenced the implementation process and 29% of the PIE Auditors are behind their original schedule.

Reasons for the delay in implementation of the SoQM

Chart 2
SoQM implementation status (By category of PIE Auditors)

Category	Implemented	Development on schedule	Development behind schedule	Development not commenced
Category A		5 firms, 83%	1 firm, 17%	
Category B		12 firms, 63%	7 firms, 37%	
Category C	1 firm, 5%	6 firms, 32%	10 firms, 53%	2 firms, 10%
Recognized PIE Auditors	1 firm, 4%	21 firms, 88%	2 firms, 8%	

■ Implemented   ■ Development on schedule
■ Development behind schedule   ■ Development not commenced

As of end of September 2022

2.1.3   Chart 2 shows that the implementation status of the SoQM varies among the different categories of PIE Auditors. It shows that 83% and 92%, respectively, of the Category A PIE Auditors and Recognized PIE Auditors' implementation of their SoQM is on schedule.   Only 37% of the Category C PIE Auditors indicated that their implementation was in accordance with their firm's work plan.

2.1.4   As reported by the PIE Auditors who are behind schedule (i.e., 29% of the PIE Auditors as shown in Chart 1), a lack of resources and an inability to find an appropriate external service provider for assistance are the two major causes of delay.

2.1.5   Amongst the Category C PIE Auditors whose work plans are delayed (i.e., 53% of the Category C PIE Auditors as shown in Chart 2), a number of them reported that the delays are due to staff turnover requiring them to recruit and assign new individuals to take responsibility for the development of their SoQM.

2.1.6   Ten percent (10%) of the Category C PIE Auditors have yet to commence the implementation. They expect that the development of their SoQM will not require more than 3 months to complete because of their size and lack of complexity, and therefore they do not see the urgency to begin design and implementation. It is concerning whether they are able to fully implement the SoQM by the effective date, given that lack of resources was reported by a number of other Category C PIE Auditors as one of the reasons they have delayed the development process.

2.1.7   A strong SoQM is a critical element to ensuring audit quality. Therefore, PIE Auditors should not underestimate the time and resources required for the SoQM implementation and should recognise the benefits to audit quality from an effective and comprehensive SoQM for any category of PIE Auditors. For PIE Auditors who have lagged behind their work schedule and/or not even commenced the implementation process, they must identify the root cause of the delay, take immediate action to respond quickly to the underlying causes and ensure that timely implementation takes place properly.

Implementation progress of HKSQM 1 or its equivalent

Chart 3
HKSQM 1 or its equivalent implementation of key processes

■ Category A   ■ Category B   ■ Category C   ■ Recognized PIE Auditors
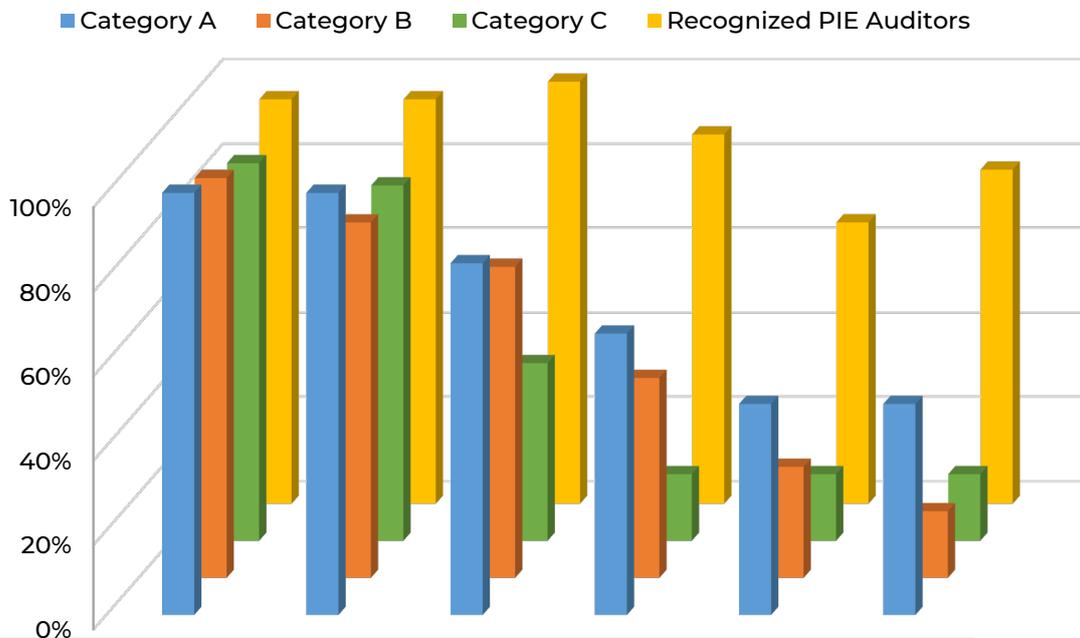
Key process	1	2	3	4	5	6
■ Category A	100%	100%	83%	67%	50%	50%
■ Category B	95%	84%	74%	47%	26%	16%
■ Category C	89%	84%	42%	16%	16%	16%
■ Recog. Auditors	96%	96%	100%	88%	67%	79%
All PIE Auditors	**94%**	**90%**	**75%**	**54%**	**40%**	**41%**

As of end of September 2022

Remark: Data shown across key processes in Chart 3 may not be interdependent.

Key process	*Description of process*
1	Assign individual(s) to hold ultimate responsibility and accountability
2	Assign individual(s) responsible for operation of the SoQM
3	Perform risk assessment to establish quality objectives and identify quality risks
4	Design and implement responses by establishing policies and procedures to address the quality risks identified
5	Design relevant templates for compliance with the policies and procedures
6	Establish the monitoring and remediation process

2.1.8   HKSQM 1 or its equivalent requires a firm to have a risk assessment process and monitoring and remediation process as part of the SoQM, the purpose of which is to establish a more sustainable, proactive, and scalable approach to managing quality. With respect to the implementation of key progress as required by HKSQM 1 or its equivalent, 75% of the PIE Auditors have already performed risk assessment, 54% of the PIE Auditors have designed and implemented responses to address the quality risks, and 41% of the PIE Auditors have established monitoring and remediation process.

Key process – Assign individual(s) to hold ultimate responsibility and accountability for the SoQM of the firm

2.1.9   Leadership demonstrates a commitment to quality through their action and behaviours.   The organizational structure and assignment of roles, responsibilities, and authority to appropriate individual(s) are crucial in establishing the environment in which the SoQM operates.

2.1.10 The survey results show that over 90% of the PIE Auditors have already assigned individual(s) (i) to hold ultimate responsibility and accountability for the SoQM; and (ii) to hold operational responsibility for the SoQM.

2.1.11 Chart 3 shows that not all Recognized PIE Auditors had assigned individual(s) to hold ultimate responsibility and accountability for the SoQM of the firm before they perform risk assessment and establish and implement responses to address the quality risks identified. HKSQM 1 or its equivalent requires the firm to assign ultimate responsibility and accountability for the SoQM to the firm's chief executive officer or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent). This indicates that these firms have not established a strong governance and leadership environment to support the SoQM before they carry out the firm's risk assessment process. Failure to assign individual(s) will result in non-compliance with the new requirements when the new QMSs become effective.

Key process – Perform risk assessment to establish quality objectives and identify quality risks, and design and implement responses to address quality risks identified

2.1.12   The new QMSs adopt a risk-based approach which requires PIE Auditors to perform a comprehensive risk assessment to establish quality objectives and, identify and assess the quality risks in order to tailor appropriate policies and procedures for quality management.

2.1.13   All PIE Auditors indicate that they are confident that the SoQM can be properly implemented by the effective date. However, Chart 3 indicates that progress on implementation of key processes as required by HKSQM 1 or its equivalent varied among different categories of PIE Auditors. Only 47% and 16% of the Category B and C PIE Auditors, respectively, have designed and implemented the responses to the quality risks identified.

2.1.14   Chart 3 shows that all the Recognized PIE auditors have already completed the risk assessment by establishing quality objectives, identifying and assessing the quality risks. Eighty-eight percent (88%) of them have also designed and implemented the responses to address the quality risks identified.

2.1.15   Considering that there are more resources and support available for Category A PIE Auditors from their global network firms, Chart 3 shows that their implementation process of key processes as required by HKSQM 1 or its equivalent is somewhat in line with the Recognized PIE Auditors. Eighty-three percent (83%) of the Category A PIE Auditors have already completed the risk assessment by establishing quality objectives and identifying and assessing the quality risks.

Key process – Design relevant templates to comply with the policies and procedures established

2.1.16 Sixty-seven percent (67%) of the Recognized PIE Auditors and 50% of the Category A PIE Auditors have designed relevant templates to comply with the policies and procedures when the SoQM is implemented. Whereas only 26% of the Category B PIE Auditors and 16% of the Category C PIE Auditors have done so. This suggests that Category B and Category C PIE Auditors will require more support in this area.

Key process – Establish the monitoring and remediation process

2.1.17 The monitoring and remediation process has been extensively enhanced under the requirements of new QMSs. The new QMSs require the firm has relevant, reliable, and timely information about the design, implementation, and operation of the SoQM, and can take responsive action to identified deficiencies, such that they are remediated on a timely basis, and to prevent them from reoccurring.

2.1.18 Almost 80% of the Recognized PIE Auditors and 50% of the Category A PIE Auditors have established the monitoring and remediation process, whilst only very small number of the Category B and Category C PIE Auditors have completed this process.

Implementation progress of HKSQM 2 or its equivalent

Chart 4
Established EQR policies and procedures in HKSQM 2 or its equivalent

■ Yes ■ No   As of end of September 2022
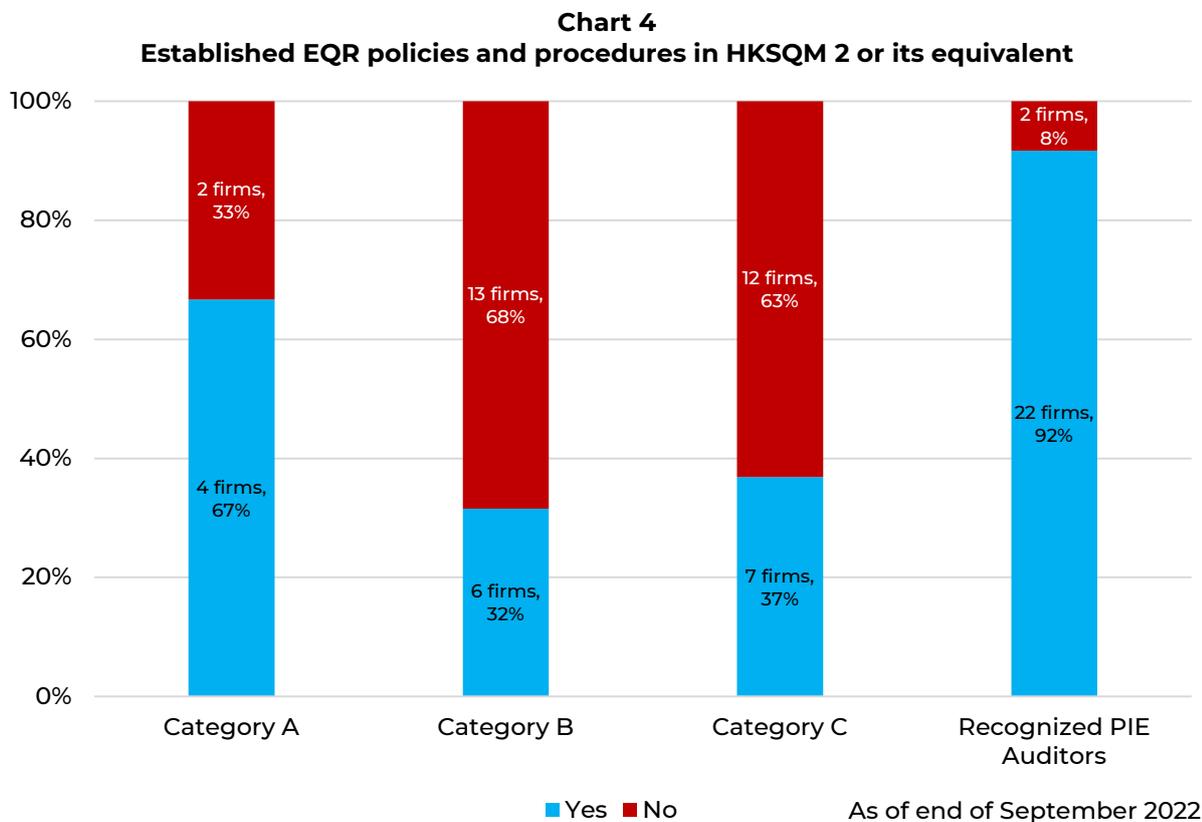
2.1.19 With respect to the implementation of policies and procedures for Engagement Quality Review (**EQR**) as required by HKSQM 2 or its equivalent, auditors are required to establish policies and procedures for EQR as a response to address one or more quality risks. The survey results show that, overall, 57% of the PIE Auditors have established EQR policies and procedures during the implementation of SoQM.

2.1.20 Progress on the establishment of EQR policies and procedures varied among different categories of PIE Auditors. Recognized PIE Auditors are farther along in the implementation journey, followed by the Category A PIE Auditors.

Although 92% of the Recognized PIE Auditors and 67% of the Category A PIE Auditors have established EQR policies and procedures, only 32% of the Category B PIE Auditors and 37% of the Category C PIE Auditors have done so.

2.1.21   As illustrated in chart 3 and 4, there are slightly more PIE Auditors who have already established policies and procedures for EQR (57%) as required under HKSQM 2 or its equivalent, than for addressing quality risks (54%) as required under HKSQM 1 or its equivalent. This is likely because HKSQM 1 or its equivalent has a greater scope than HKSQM 2 or its equivalent. The former addresses the design of the firm's overall system of quality management to manage the quality of engagements, whilst the latter focuses only on the eligibility of the engagement quality (**EQ**)reviewer and the performance and documentation of the EQR.

2.1.22   The slow progress of establishing EQR policies and procedures as required under the new QMSs is mainly from the Category B and C PIE Auditors. These PIE Auditors must take immediate action to establish policies and procedures on extending the scope of engagements subject to EQR, strengthening the eligibility criteria for an individual to be appointed as an EQ reviewer and enhancing the EQ reviewer's responsibilities relating to the engagement performance and documentation of the EQR.

2.2   Common challenges encountered by PIE Auditors

Chart 5
**Top 5 SoQM implementation challenges**

As of end of September 2022
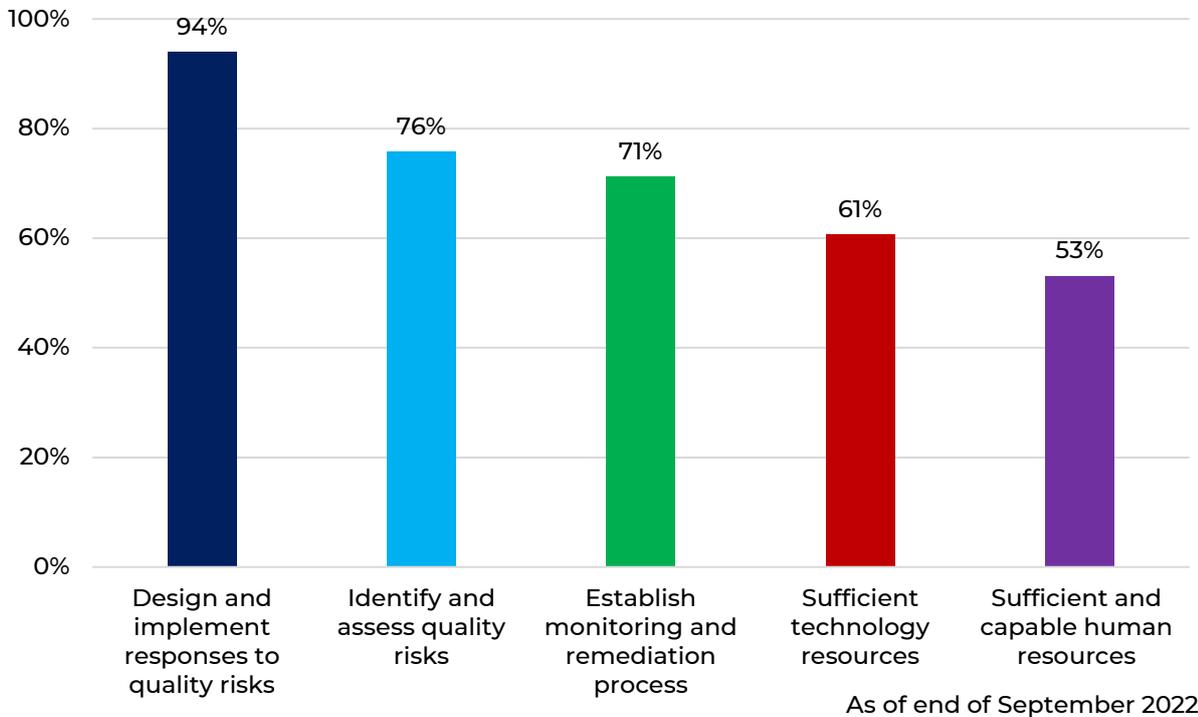
2.2.1   The survey results show that the key challenges encountered by PIE Auditors are:

a.   Design and implement responses by establishing policies and procedures to address quality risks identified by the audit firms;

b.   Identify and assess quality risks based on the nature and circumstances of the audit firms and engagements performed by the audit firms;

c.   Establish monitoring and remediation processes;

d.   Deploy adequate technology resources such as the information technology infrastructure; and

e.   Acquire sufficient capable human resources.

2.2.2   Many PIE Auditors consider designing procedures to address quality risks (94%) and identifying and assessing quality risks (76%) as the most challenging areas in the implementation process of their SoQM. It is because this involves a detailed analysis of each of the business processes of the PIE Auditors, notwithstanding the continuous change in risks throughout the implementation process.

2.2.3   PIE Auditors also indicate that, in establishing monitoring and remediation processes, they encountered difficulties in setting rating criteria for determining the severity of deficiencies identified and the remediation activities to be performed.

2.2.4   Another area of key challenges relates to the sufficiency of technology resources and capable human resources in supporting and facilitating the implementation of the system. As reported by some PIE Auditors, there is significant data collection work required when they perform their risk assessment. The actual time spent is more than they expected after the new tools and platforms are in place for recording and collecting data during the implementation.

2.2.5   Relatively more Category B PIE Auditors are concerned about the sufficiency of human resources given a high staff turnover rate in the industry whilst relatively more Category C PIE Auditors are concerned about how to establish quality objectives and identify quality risks based on the nature and circumstances of the firms and the engagements performed by the firms.

2.3   Resources required by PIE Auditors

Chart 6
Resource needs in SoQM implementation
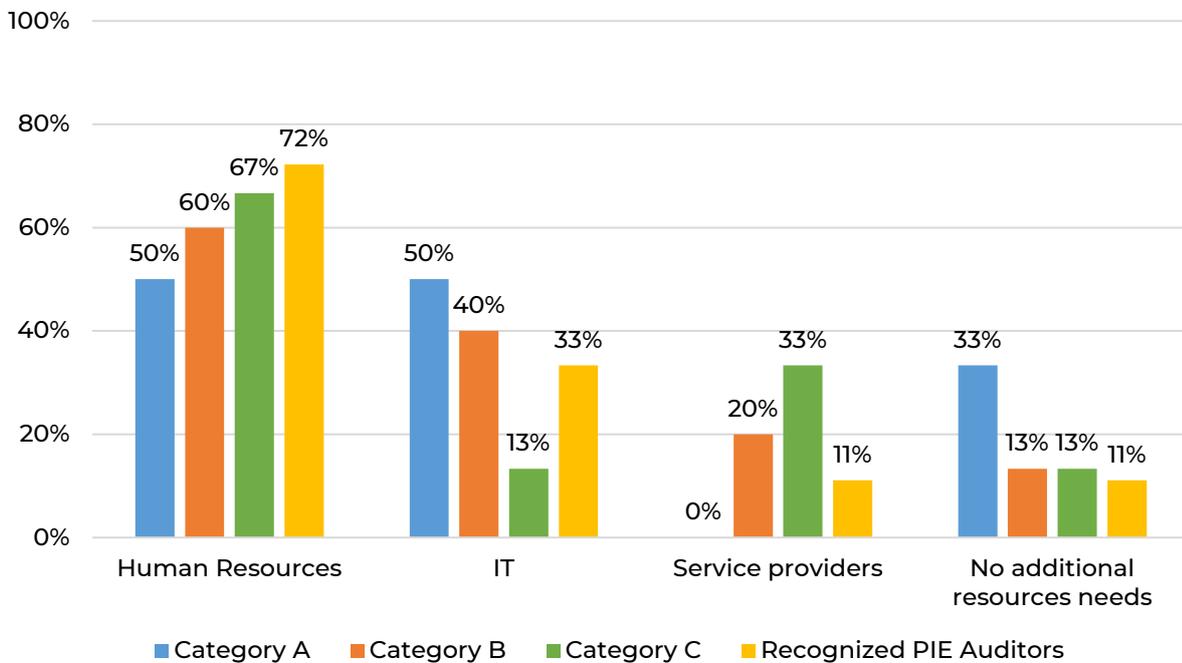
As of end of September 2022

2.3.1   All Category A PIE Auditors, 79% of the Category B and C PIE Auditors and 75% of the Recognized PIE Auditors have reassessed the resources they require as compared to their original work plan in January 2022.

2.3.2   Overall, human resources are still the most critical resource, followed by IT infrastructure that most PIE Auditors require for the implementation of SoQM.

2.3.3   Twenty percent (20%) of the Category B PIE Auditors and 33% of the Category C PIE Auditors expressed a need for assistance from external service providers for the design and implementation.

2.3.4   The survey results reveal that capable human resources remain the most key element when PIE Auditors assess the resources they need during the SoQM implementation. It is also one of the root causes of delay in the implementation progress of SoQM.

2.4 Application of implementation guides and materials by PIE Auditors

Chart 7
Materials referred to when designing and implementing SoQM
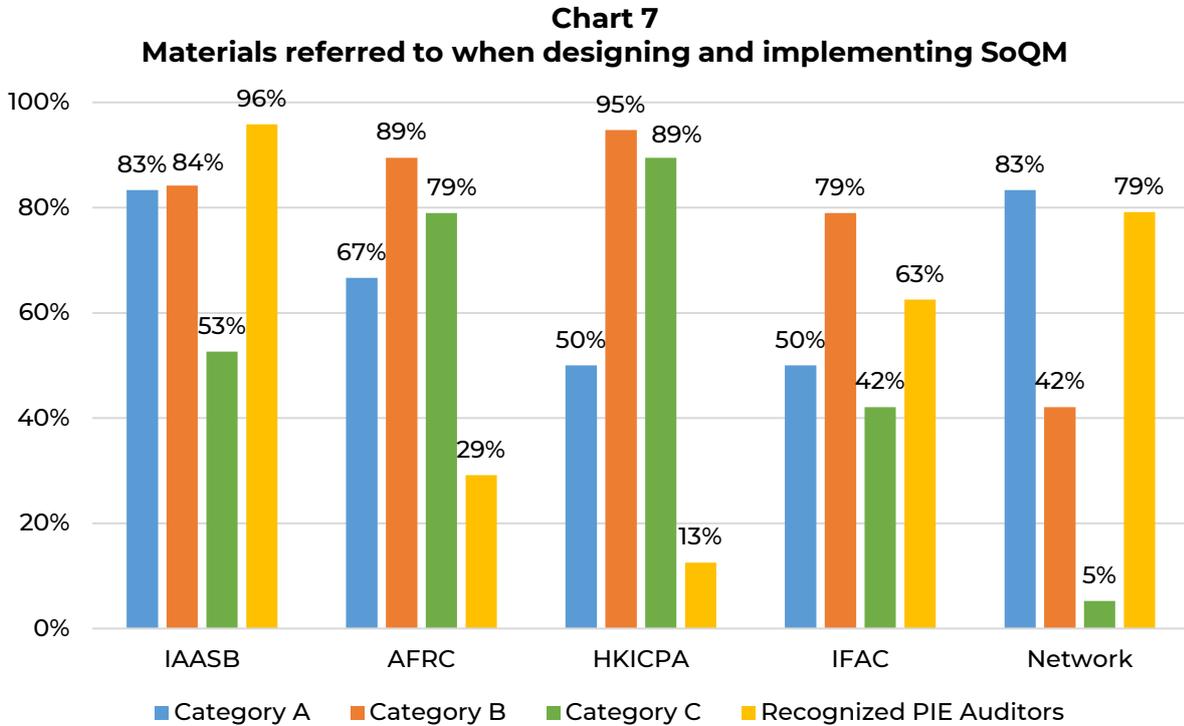
As of end of September 2022

2.4.1   Chart 7 shows that a substantial number of Category A and Recognized PIE Auditors have sought support from international implementation guides (i.e., IAASB) and their global network firms for tools and materials, such as implementation guides, templates for risk assessment and tailored procedures, compliance checklists under the new QMSs, etc.

2.4.2   Ninety-five percent (95%) of the Category B PIE Auditors and 89% of the Category C PIE Auditors have referred to the publications released by the Hong Kong Institutes of Certified Public Accountants (**HKICPA**) during SoQM implementation. Nearly 90% and 80% of the Category B and C PIE Auditors, respectively, have referred to the publications released by the AFRC. Around 85% of the Category A and B PIE auditors have referred the implementation guides issued by IAASB.

2.4.3   The reliance on HKICPA and AFRC resources and publications by Category B and C PIE Auditors indicates that unlike the Recognized and Category A PIE Auditors who can seek support from their international networks, they generally seek support from local institutions (i.e., guides and resources from the local standard setters and/or regulators).

2.4.4   Although around two-thirds of the PIE Auditors have experienced multiple challenges in their implementation process of the SoQM, Category A, B and C PIE Auditors reported that they did not directly consult with or communicate with the relevant standard setters on questions and difficulties they have encountered.

Section 3
Good Practices and Key Reminders

Good practices shared by PIE Auditors that have piloted certain components under SoQM

3.1   The survey results reveal that 29% of the PIE Auditors have piloted one or more components of the SoQM, mostly comprising the Category A PIE Auditors and Recognized PIE Auditors who gain support from their network firms and who have more resources available to them.   There was one Category C PIE Auditor reported they have piloted certain components of the SoQM.

3.2   Most PIE auditors reported that, from the experience of their pilot of implementing component(s) of the SoQM, more time and staff resources are required than originally expected, given the complexity of the new components under the new QMSs and the challenges of implementation for the SoQM as set out in section 2.2.

3.3   Global or network firm's support for well-designed templates and guidelines are reported as the most useful materials during their pilot of the SoQM.

3.4   Examples of good practices shared by PIE Auditors that have piloted one or more components of the SoQM:

a.   Establish tone at the top by the firm leadership through their actions and behaviors, clear and consistent actions, and communications at all levels within the firm about actions to address quality risks, and the effectiveness of those actions.

b.   Begin the planning work at an early stage and realize the importance of setting milestones and timelines to facilitate the SoQM implementation as well as to monitor its progress continuously.

c.   Assign sufficient time and resources (including human resources and information technology resources) to demonstrate their commitment to quality, and to develop and maintain the appropriate competence to perform their roles and who are held accountable for their responsibilities.

d.   Seek support from the global network firms or refer to relevant standard setters for guidance and learning materials to ensure personnel have appropriate competence and capabilities to perform the activities under the SoQM.

e.   Recognize the complexity of the requirements of the new QMSs and do not underestimate the required time and resources for the implementation of the SoQM. Involve staff from different functions and form a dedicated task force to spearhead the implementation journey.

Key reminders for the implementation of SoQM

3.5   The risk-based approach of the new QMSs requires a robust system of quality management tailored for the firm. The new QMSs require all auditors to design a SoQM that is tailored to the nature and circumstances of the firm and the engagements it performs. Therefore, the level of change in requirements is potentially significant, and implementation will involve a comprehensive work plan for many PIE Auditors.

3.6   We remind all PIE Auditors that in the next inspection year, we will inspect the new SoQM for the PIE Auditors selected for inspection to evaluate whether they meet the requirements of the new QMSs. Failure to comply with the relevant requirements of the new QMSs will result in follow-up actions.

Importance of setting tone at the top

3.7   It is important for leadership and those individuals who hold ultimate responsibility and accountability, including the SoQM responsible person, the engagement partner, and EQ Reviewer, to demonstrate a commitment to quality through their action and behavior. They should take appropriate steps to:

a. Understand the requirements under the new QMSs;

b. Fulfill their responsibilities to account for the firm's quality; and

c. Acknowledge their roles in serving the public interest by consistently performing quality engagements.

3.8   The leadership should act by establishing trust through consistent, regular and open communication, and by providing transparency within the firm about actions to address quality, and the effectiveness of those actions. The SoQM responsible person and all engagement partners and EQ Reviewers should actively support the actions of leadership. Senior management should have regular meetings with the SoQM task force to monitor the status of implementation.

Conduct a quality risk assessment

3.9   A PIE Auditor's risk assessment process is the process that is used to establish quality objectives, to identify and assess quality risks and to design and implement responses. PIE Auditors should obtain an in-depth understanding of the firm and its environment (including the existing internal controls) and plan and design appropriate procedures responsive to the assessed quality risks with sufficient involvement of senior management, who are accountable for the quality of work of the audit firms.

3.10   PIE Auditors should have a continuous risk assessment process in place during the implementation of SoQM. Where there is a significant change in the firms' operations or surrounding business environment, they should revisit their risk assessment process and modify the responses to any emerging quality risks.

Leadership commitment to devote time and resources

3.11   Senior management should commit sufficient resources (including technological, intellectual, and human resources) to carry out duties and responsibilities under the SoQM.   Resource needs, including financial resources, should be well planned for and resources should be obtained, allocated or assigned in a manner that is consistent with the PIE Auditors' commitment to quality.

3.12   For PIE Auditors who decide to seek external resources, such as engaging an external service provider for the implementation of SoQM, they should understand the nature of the resources provided by the external service providers, how and the extent to which they will be used by the firm, and the general characteristics of the service providers used by the PIE Auditors.

3.13   Senior management should be mindful that they cannot outsource the leadership responsibilities to an external service provider, and the SoQM responsible persons are required to have the appropriate influence and authority within the PIE Auditors.

Communication with relevant standard setters

3.14   PIE Auditors who are encountering difficulties with the requirements of the new QMSs should communicate with the relevant standard setters and seek interpretations and assistance as early as possible, especially on areas such as the new risk assessment process, which is reported in the survey as the most challenging area in SoQM implementation.

Clear and specific EQR policies and procedures for performance and documentation

3.15   The strengthening of EQR policies and procedures should be clear and specific. PIE Auditors should consider:

a.   The timing of the performance of the EQR, specifically the point in time during the engagement when the EQ reviewer becomes involved in the EQR and the time allocated to the EQ reviewer for the performance of review;

b. The depth and focus of the EQR, specific areas of significant risk or significant judgments made by the engagement partner and the engagement team, including how and in which areas of the audit, and whether the engagement team's work is considered as sufficient; and

c. The robustness of the documentation of the EQR, including citing the documents reviewed, the issues raised by EQ reviewer as part of the review and how the engagement team disposed of those issues before the issuance of the auditor's opinion.

Section 4
Looking Ahead

4.1   Through the two surveys conducted in January-February and September 2022, respectively, the self-assessments by the PIE Auditors indicated their implementation readiness on the SoQM. They should be aware of what they have accomplished in the implementation journey and which areas they need to devote more resources to ensure proper implementation by the effective date.

4.2   In 2023, we will inspect selected PIE Auditors' SoQMs to determine if they meet the requirements of the new QMSs and other relevant standards. We will focus on how the PIE Auditors establish their quality objectives, identify and assess the quality risks in meeting these objectives, and how they design and implement their procedures to address the identified quality risks.

4.3   We remind all PIE Auditors that the effective date of the new QMSs is rapidly approaching and any failure to fully adopt the requirements of the new QMSs will result in non-compliance with regulatory implications. PIE Auditors should take immediate action to ensure the implementation of SoQM is properly in place by the effective date and continue to monitor their processes from the implementation date.