FRC Financial Reporting Council 財 務 匯 報 局

Inspection

New and revised quality management standards Survey on implementation progress by PIE Auditors

31 March 2022

Foreword from the Chief Executive Officer

I am pleased to share with the public this report by our inspection function, which summarises the results of our survey on implementation progress by PIE Auditors for the new and revised quality management standards and our observations and recommendations.

In January and February 2022, we conducted a survey to understand the progress of the Registered and Recognised PIE Auditors in implementing the new and revised quality management standards, which require a significant transformation of quality management systems for many PIE Auditors.

The survey results show that 48% of PIE Auditors had already developed implementation plans, 40% were still developing them and the remaining 12% had yet to start. 52% of PIE Auditors had already designed controls as required by 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* or the equivalent international standard, which is quite an advanced stage in the implementation process.

PIE Auditors identified staff and information technology resources and designing responses to address their quality risks as the most significant challenges they faced in implementation. We encourage all PIE Auditors to monitor and continuously assess their ability to address these challenges and ensure that the quality of their listed entity audits is not compromised.

As the regulator of listed entity auditors in Hong Kong, the FRC will have the duty to evaluate whether PIE Auditors implemented the new quality management standards by the now looming deadline of 15 December 2022, despite the challenges currently being faced. For those PIE Auditors who have not yet developed their implementation plans, we encourage them to perform a gap analysis to identify and address any knowledge or resource needs without delay.

We will be carrying out an update survey in September 2022.

Marek Grabowski
Chief Executive Officer

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Section 1

Background of the new and revised quality management standards

1.1   An effective system of quality management (**SoQM**) provides a PIE Auditor with reasonable assurance that:

- the PIE Auditor and their personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements;

- they conduct engagements in accordance with such standards and requirements; and

- their engagement reports are appropriate in the circumstances.

1.2   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 will be effective from 15 December 2022.

1.3   The revisions to the quality management standards are made in response to issues with the current international standards raised by audit regulators based on findings from their inspections. These issues included the need to encourage more proactive quality management at the firm and engagement levels and address the role of audit firm networks in quality management. Specific concerns included the need to enhance the quality of engagement quality control reviews and internal and external monitoring and remediation activities by audit firms.

1.4   Implementing the new QMSs should therefore also enable PIE Auditors to address a number of common deficiencies that we identified in our past inspections. These included ineffective engagement quality control reviews, ineffective internal monitoring reviews and inappropriate or lack of remediation activities.

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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*

1.5   HKSQM 1 is the new overarching standard for the SoQMs of audit firms. It applies to their quality management of audits or reviews of financial statements and other assurance or related service engagements. It requires audit firms to customise the design, implementation and operation of their SoQMs based on the firm's nature and circumstances and the engagements it performs. This is an integrated quality management approach that requires the audit firm to reflect upon the effectiveness of its SoQM as a whole. In contrast, the existing quality standards requires policies and procedures to be designed and implemented to address specific elements of quality management.

1.6   Key changes introduced in HKSQM 1 include:

- A more proactive, tailored, risk-based and scalable approach to managing quality, focused on achieving quality objectives through identifying risks to those objectives, and responding to the risks.

- Enhanced requirements to address firm governance and leadership, including increased leadership responsibilities in improving firm's governance.

- Expanded requirements to modernise the standard and reflect factors affecting the firm's environment, including requirements to address technology, networks, and the use of external service providers.

- New requirements addressing information and communication, including communication with external parties.

- Enhanced requirements for more rigorous monitoring and remediation to promote more proactive monitoring of the SoQM as a whole, and effective and timely remediation of deficiencies.

- Enhanced the performance and effectiveness of engagement quality review.

1.7   HKSQM 2 addresses engagement quality control reviews. It builds on HKSQM 1 by including specific requirements for (i) the appointment and eligibility of an engagement quality reviewer; (ii) the performance of an engagement quality review; and (iii) the documentation of an engagement quality review.

1.8   HKSA 220 (Revised) deals with the responsibilities of the auditor regarding quality management at the engagement level, and the related responsibilities of the engagement partner. Also, it enhances engagement partners' responsibilities for managing and achieving quality on audit engagements.

1.9   The IAASB published first-time implementation guides on the new and revised international quality management standards. The IAASB also published an introductory video and hosted four webinars on these standards. The Hong Kong Institute of Certified Public Accountants (**HKICPA**) also created a technical resources webpage which contains pronouncements, guides and articles on the new QMSs.

Section 2

Background of the Survey

2.1   In January and February 2022, we surveyed 69 Registered PIE Auditors and 24 Recognised PIE Auditors to understand, amongst other matters, based on their self-assessment:

- What is the involvement of their Board, executive committee and audit quality committee in the implementation of the new QMSs?

- Which are the three major departments most involved in the implementation of these standards?

- What resources do they need for the implementation and how are those resources managed?

- How do they rate the impact of the new QMSs on their firms?

- What are the key challenges in meeting the implementation deadline and their significance to the firm?

- Do they have a dedicated implementation task force?

- Is/will an external service provider be engaged to provide assistance in the implementation and if so what assistance?

- How far along are PIE Auditors in the implementation journey of the new QMSs?

- Will there be a dedicated team in the post-implementation monitoring and evaluation of the new QMSs?

2.2   We received responses from all the Registered PIE Auditors and Recognised PIE Auditors. We would like to thank the PIE Auditors for their participation.

2.3   We launched the survey to encourage PIE Auditors to use the opportunity of completing the questionnaire as a self-assessment of their readiness for implementation of the new QMSs. All PIE Auditors confirmed their awareness of the fast approaching effective date of the new QMSs and all planned to complete the implementation before the deadline of 15 December 2022.

2.4   Questions were designed to facilitate PIE Auditors to identify and share any challenges they are facing and to assess their implementation progress. The results of the survey enable PIE Auditors of different sizes and nature to benchmark their own progress against that of their peers. A copy of the questionnaire is attached as the Annex to this report.

2.5   The survey findings are reported in total for all PIE Auditors and also analysed by categories. Registered PIE Auditors are categorised according to the number of listed entity audits they performed in a year. Category A firms performed 100 or more PIE audits, Category B firms performed 10 to 99 PIE audits, and Category C firms performed at least one but less than 10 PIE audits. Recognised PIE Auditors are shown as a separate category.

2.6   As of 31 December 2021, Category A firms audited over 90% of PIEs by market capitalisation in Hong Kong.

Section 3

Key Survey Findings

3.1   Key findings in 13 areas from 25 survey questions are summarised below:

Area 1   *Involvement of the Board, executive committee and audit quality committee is heavy (Chart 1)*

3.2   74% of PIE Auditors indicated that their Board, executive committee and audit quality committee are heavily involved in the implementation of the new QMSs. 25% of PIE Auditors indicated that their Board, executive committee and audit quality committee had some degree of involvement in the implementation of the new QMSs.

3.3   The Board, executive committee and audit quality committee of all the Category A and B firms and the Recognised PIE Auditors are involved in the implementation of the new QMSs, albeit the extent of involvement varied. However, 6% of the Category C firms replied that their Board, executive committee and audit quality committee were not involved in the implementation of these new standards.

Chart 1. Extent of involvement of the Board, executive committe and audit quality committee
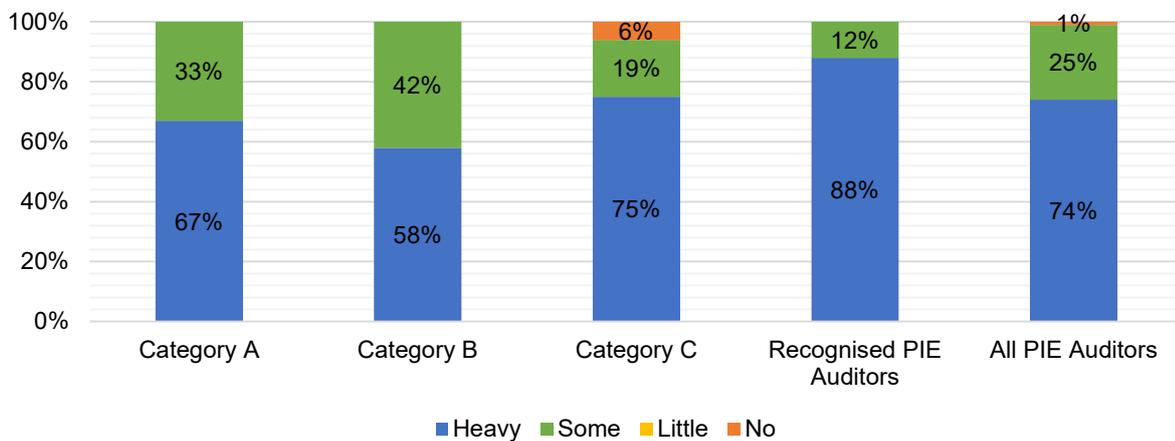
Area 2   Technical Department is most commonly involved (Table 1)

3.4   The survey result shows that multiple internal departments were involved in the implementation of the new QMSs. 69%, 43% and 42% of PIE Auditors indicated that their Technical, Quality Assurance and Risk Management and Ethics Departments were among the top three departments involved in their implementation of the new QMSs.

3.5   Technical Department was involved in the implementation of the new QMSs for 83%, 68%, 56% and 75% of the Category A, B and C firms and the Recognised PIE Auditors.

3.6   Quality Assurance Department was involved in the implementation for 67% of the Category A firms. However, the Quality Assurance Department was only involved in the implementation for 37%, 38% and 46% of the Category B and C firms and the Recognised PIE Auditors.

3.7   Risk Management and Ethics Departments were involved in the implementation of the new QMSs for 67% and 75% of the Category A firms and the Recognised PIE Auditors. However, only 11% and 19% of the Category B and C firms involved their Risk Management and Ethics Department in the implementation of the new QMSs.

Table 1. Three most commonly involved departments in the implementation

	Technical	Quality Assurance	Risk Management and Ethics	Audit	Human Resources	Information and Technology	Training
Category A	83%	67%	67%	-	33%	17%	0%
Category B	68%	37%	11%	21%	16%	32%	16%
Category C	56%	38%	19%	25%	6%	6%	19%
Recognised PIE Auditors	75%	46%	75%	29%	33%	21%	21%
All PIE Auditors	**69%**	**43%**	**42%**	**23%**	**22%**	**20%**	**17%**

Area 3   *Additional staffing and IT resources are required (Table 2)*

3.8   The survey shows that implementation resource needs varied among different categories of audit firms.

3.9   32% of PIE Auditors reported that additional staff would be required to support the implementation. 25% indicated that they needed to improve their information and technology (**IT**) infrastructure to support the implementation of the new QMSs.

3.10   33% of the Category A firms reported that they would need both additional staff and improvement in their IT infrastructure to support their implementation of the new QMSs.

3.11   37% of the Category B firms reported that additional staff would be required to support the implementation. 16% of them indicated that they needed to improve their IT infrastructure for their implementation of the new QMSs.

3.12   19% and 6% of the Category C firms reported that additional staff and improvement in IT infrastructure, respectively, would be required to support their implementation of the new QMSs. There were 31% of the Category C firms which were still evaluating their resource needs for the implementation of the new QMSs.

Table 2. Additional resources needs[#]

	Staffing	IT infrastructure	Under evaluation
Category A	33%	33%	-
Category B	37%	16%	5%
Category C	19%	6%	31%
Recognised PIE Auditors	38%	42%	8%
All PIE Auditors	**32%**	**25%**	**12%**

 # Only include areas where at least 10% of PIE Auditors indicated that additional resources are needed.

Area 4 *Additional external guidance or support is needed (Table 3)*

3.13 26%, 15% and 15% of PIE Auditors found reference templates, training materials and illustrative examples useful for their implementation of the new QMSs. However, different categories of audit firms considered different types of additional guidance or support would be useful.

3.14 33% of the Category A firms would like standard setters to provide further guidance in interpreting the new QMSs. They experienced lack of clarity or variability in interpretation of the new QMSs by different network firms, standard setters, or regulators in different jurisdictions.

3.15 37% of the Category B firms and 56% of the Category C firms considered reference templates for the implementation of the new QMSs to be helpful. A number of small-to-medium sized practices voiced out their desire to have an updated edition of the Audit Practice Manual and Quality Management Manual published by the HKICPA as it would serve as a starting point for their implementation of the new QMSs.

Table 3. Needs for additional external guidance or support[#]

	Reference templates	Training materials	Illustrative examples	Interpretation of the new QMSs
Category A	-	-	17%	33%
Category B	37%	26%	11%	-
Category C	56%	31%	25%	6%
Recognised PIE Auditors	4%	-	13%	13%
All PIE Auditors	**26%**	**15%**	**15%**	**10%**

 # Only include matters where at least 10% of PIE Auditors indicated additional external guidance or support is needed.

Area 5   PIE Auditors expect impacts of the new QMSs to be moderate

3.16   More than half of PIE Auditors anticipated that the adoption of HKSQM 1, HKSQM 2 and HKSA 220 (Revised) would have a moderate impact on their firms. 32% of PIE Auditors anticipated that the impact of HKSQM 1 would be high while only 4% and 1% of them respectively expected that the impact of HKSQM 2 and HKSA 220 (Revised) would be high. *(Chart 2)*

Chart 2. Expected impacts of the new QMSs

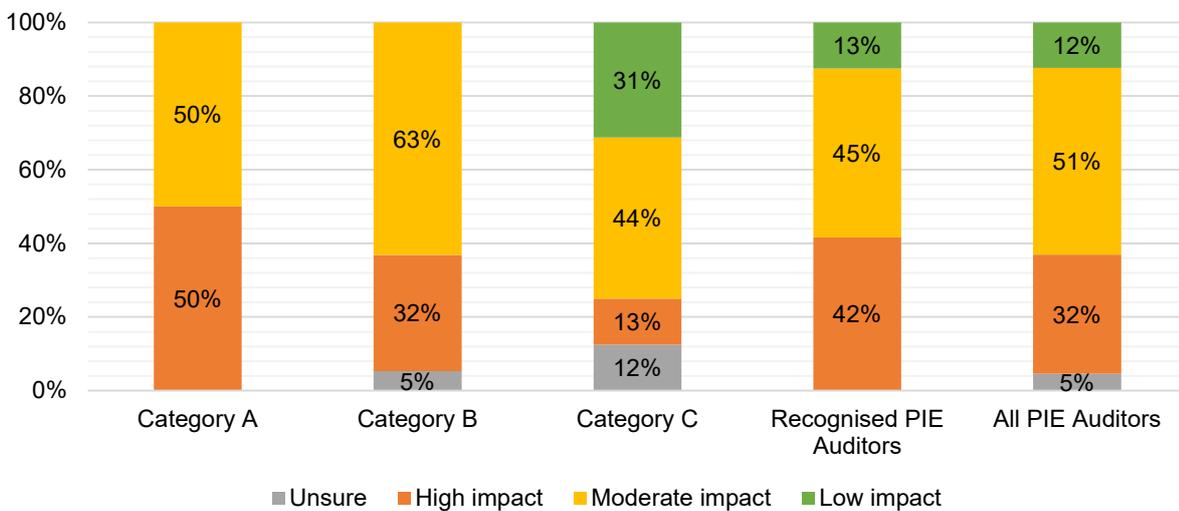|	ISQM/HKSQM 1	ISQM/HKSQM 2	ISA/HKSA (Revised) 220
Low impact	12%	43%	37%
Moderate impact	51%	45%	54%
High impact	32%	4%	1%
Unsure	5%	8%	8%

■ Unsure   ■ High impact   ■ Moderate impact   ■ Low impact
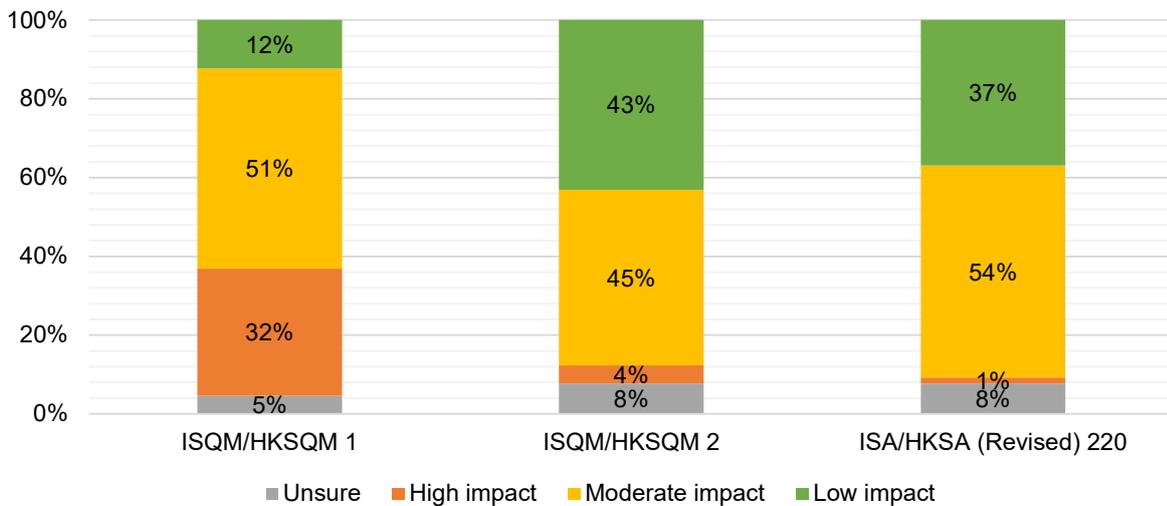
3.17   Category A and B firms and the Recognised PIE Auditors expected the impact of HKSQM 1 to be more significant to their firms than did Category C firms. Of the Category A and B firms and Recognised PIE Auditors, 50%, 32% and 42% of them respectively expected the impact to be high. *(Chart 3)*

Chart 3. Expected impact of HKSQM 1

	Category A	Category B	Category C	Recognised PIE Auditors	All PIE Auditors
Low impact			31%	13%	12%
Moderate impact	50%	63%	44%	45%	51%
High impact	50%	32%	13%	42%	32%
Unsure		5%	12%		5%

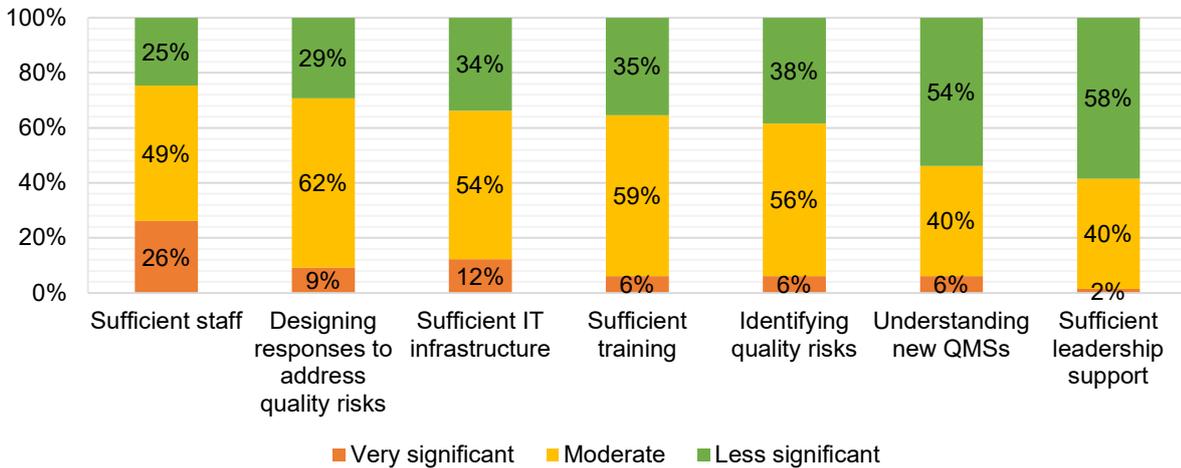■ Unsure   ■ High impact   ■ Moderate impact   ■ Low impact

Area 6 *Staff resources, IT infrastructure and designing responses to address quality risks are the most commonly reported challenges to meeting the implementation deadline (Chart 4)*

3.18 The survey reveals that the top three challenges to meeting the implementation deadline are sufficiency of staff resources, sufficiency of IT infrastructure and designing responses to address quality risks of the audit firms.

3.19 75% of PIE Auditors indicated that they faced moderate to very significant challenges in getting sufficient staffing. 71% and 66% of them also considered designing responses to address quality risks of their firms and deploying sufficient IT infrastructure to support the implementation of the new QMSs were moderate to very significant challenges.

Chart 4. Key challenges to meet the implementation deadline

	Sufficient staff	Designing responses to address quality risks	Sufficient IT infrastructure	Sufficient training	Identifying quality risks	Understanding new QMSs	Sufficient leadership support
Less significant	25%	29%	34%	35%	38%	54%	58%
Moderate	49%	62%	54%	59%	56%	40%	40%
Very significant	26%	9%	12%	6%	6%	6%	2%

■ Very significant ■ Moderate ■ Less significant

Area 7   PIE Auditors generally have a dedicated implementation task force (Chart 5)

3.20   63% of PIE Auditors had a dedicated implementation task force. However, 12% of PIE Auditors ((comprising 11% of the Category B firms and 38% of the Category C firms) have yet to determine whether they need a dedicated implementation task force.

Chart 5. Dedicated implementation task force
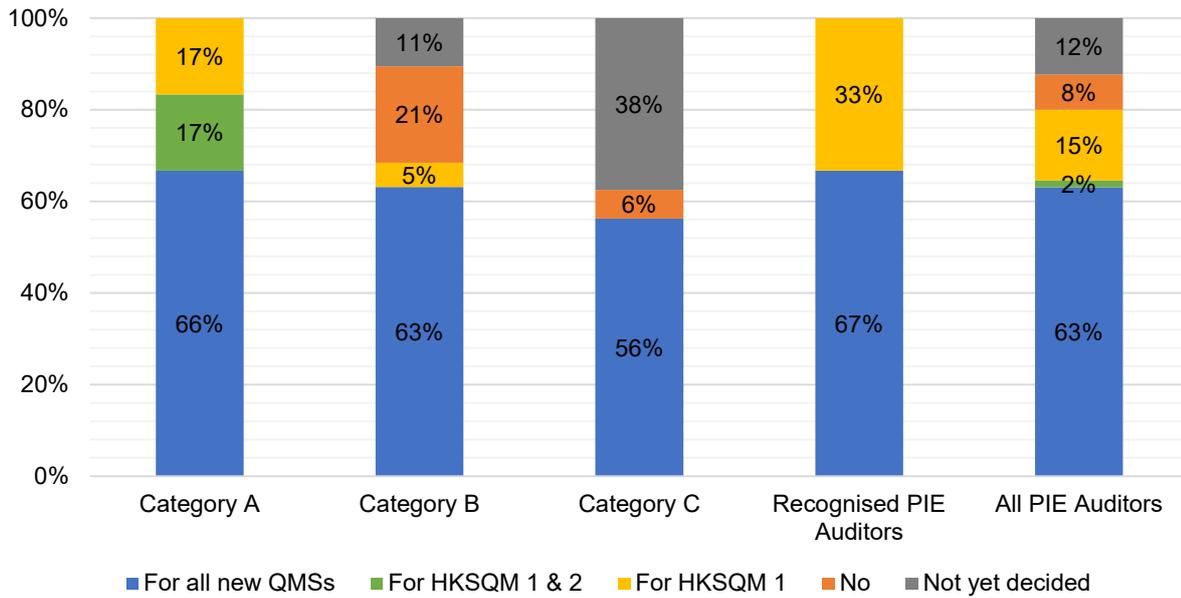
Area 8   Involvement of external service providers is relatively limited (Chart 6)

3.21   74% of PIE Auditors indicated that they would not engage an external service provider to assist in the implementation process. The ratio was even higher for the Category A firms and the Recognised PIE Auditors whereby 83% and 92% of them indicated that they would not engage an external service provider.

3.22   17%, 26% and 44% of the Category A, B and C firms have yet to determine whether to involve any external service providers for the implementation of the new QMSs.

Chart 6. Engaging external service providers for the implementation
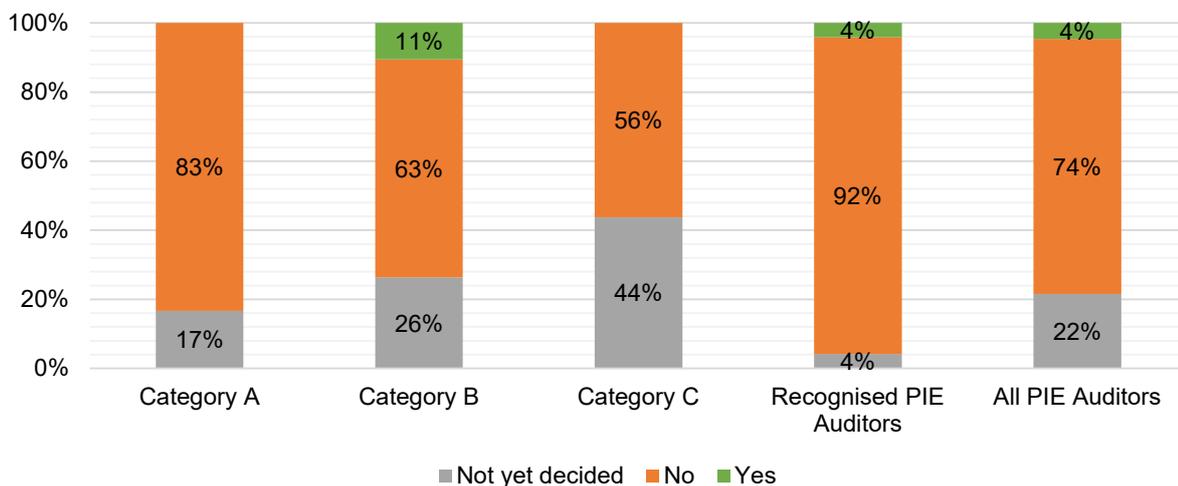
Area 9   Status of development of an implementation plan varied (Chart 7)

3.23   48% of PIE Auditors already developed implementation plans for the new QMSs. 40% are developing their plans and the remainder have yet to start.

3.24   The status of development of an implementation plan varied among different categories of firms. 83% of the Category A firms and the Recognised PIE Auditors have already developed their implementation plans. However, only 32% of the Category B firms and none of the Category C firms had developed their implementation work plans.

3.25   10% and 37% of the Category B and C firms have not yet started developing their implementation plans respectively. That said, all PIE Auditors responded that they would be able to implement the new QMSs on or before the effective date of the new QMSs.

Chart 7. Development of an implementation plan for the new QMSs
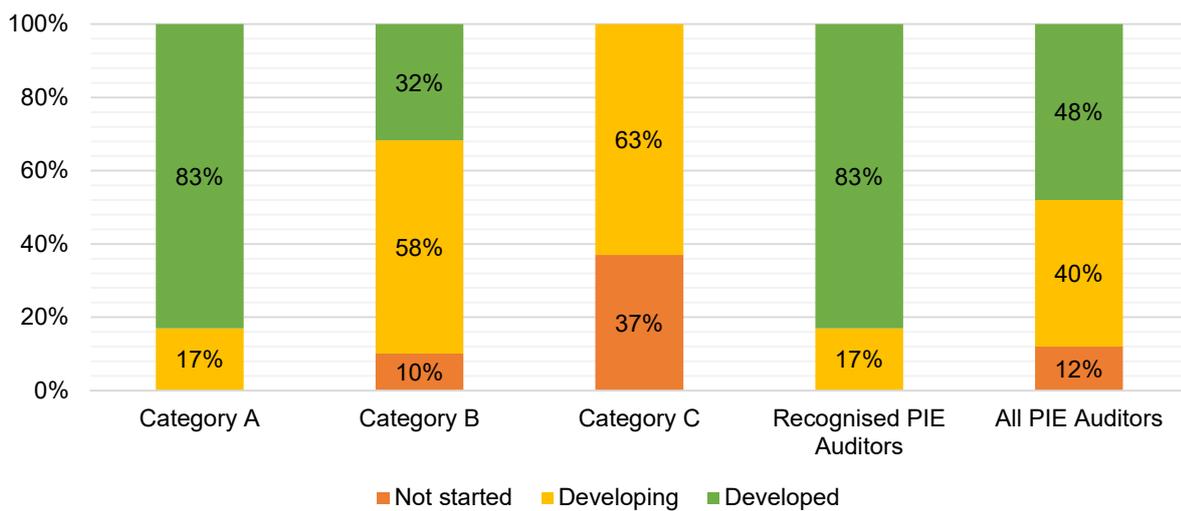
Area 10 52% of PIE Auditors already designed controls as required by HKSQM 1 (Chart 8)

3.26   With respect to the implementation of HKSQM 1, 89%, 52%, 6% and 5% of PIE Auditors already performed planning, designed controls, implemented controls, and monitored effectiveness of controls in operation, respectively.

3.27   Progress on implementation of HKSQM 1 varied among different categories of firms. Category A firms were farther along in the implementation journey, followed by the Recognised PIE Auditors and then Category B and C firms.

3.28   All the Category A firms already completed the planning and 33% of them had also finished monitoring the effectiveness of controls in operation which is the final step of the implementation process.

3.29   All the Recognised PIE Auditors also completed the planning but only 4% of them had completed the monitoring of the effectiveness of controls in operation.

3.30   The progress of the Category B firms is more advanced than that of the Category C firms. 95% of the Category B firms had already completed the planning and 42% of them had already completed the design of controls. 63% of the Category C firms had already completed the planning but only 13% of them had already completed the design of controls.

Chart 8. Status of implementation of HKSQM 1
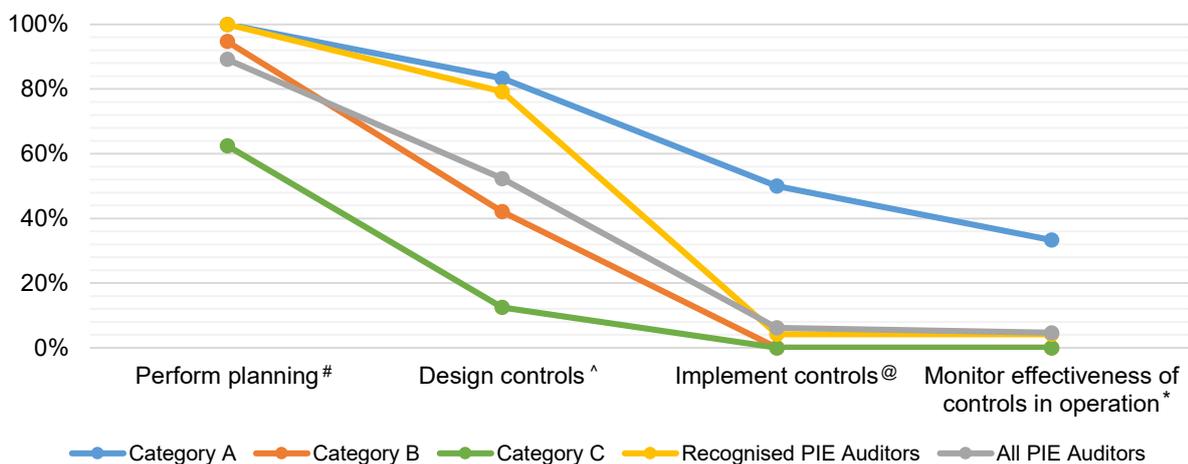
\# Tasks under "Perform planning" include (i) develop project timeline, (ii) perform preliminary assessment of the impact to the firm and (iii) appoint key SoQM members.

^ Tasks under "Design controls" include (i) establish quality objectives, (ii) identify and assess risks to the achievement of quality objectives, (iii) design quality responses to address the quality risks and (iv) design processes and procedures to support the quality responses.
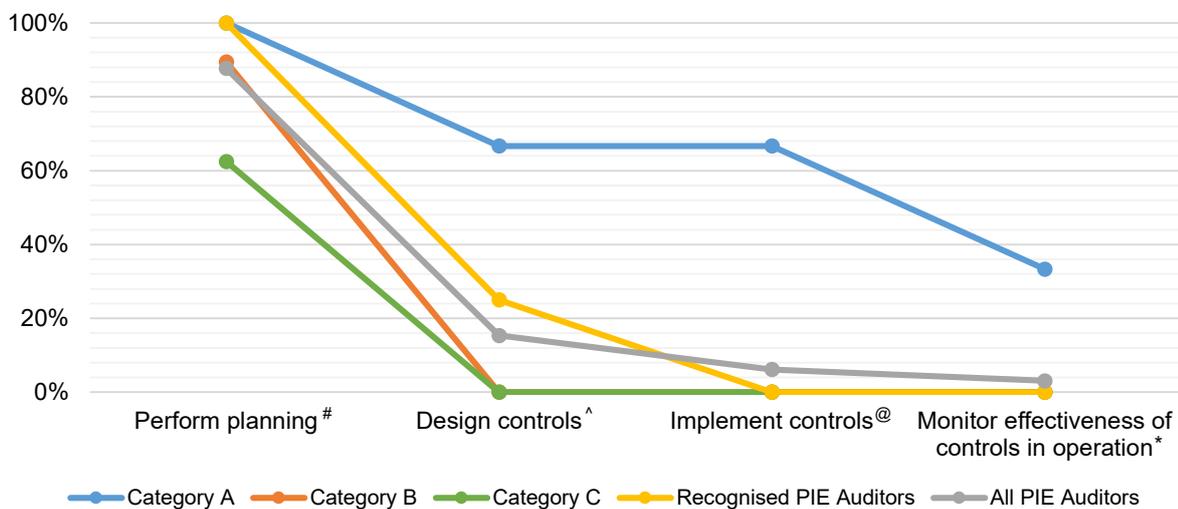
@ Refers to the implementation of designed processes and procedures.

* Refers to the monitoring and testing of the implemented processes and procedures.

Area 11 15% of PIE Auditors already designed controls as required by HKSQM 2 (Chart 9)

3.31   With respect to the implementation of HKSQM 2, 88%, 15%, 6% and 3% of PIE Auditors had performed planning, designed controls, implemented controls and monitored the effectiveness of controls in operation, respectively.

3.32   The implementation progress of HKSQM 2 varied among different categories of firms. Category A firms were farther along in the implementation journey compared to other categories of auditors.

3.33   All the Category A firms had already completed the planning and 33% of them had completed monitoring of the effectiveness of controls in operation, which is the final step of the implementation.

3.34   All the Recognised PIE Auditors had also completed the planning but only 25% of them had already designed controls.

3.35   The progress of the Category B firms is slightly further advanced than that of the Category C firms. 89% of the Category B firms had already completed the planning while only 63% of the Category C firms had finished this work.

Chart 9. Status of implementation of HKSQM 2

Tasks under "Perform planning" include (i) develop project timeline and (ii) perform preliminary assessment of the impact to the firm.
^   Refers to the establishment of policies or procedures in addressing engagement quality reviews.
@   Refers to the implementation of designed policies and procedures for all relevant engagements.
*   Refers to the monitoring and testing of the implemented processes and procedures.

Area 12   12% of PIE Auditors already designed controls as required by HKSA 220 (Revised) (Chart 10)

3.36   With respect to the implementation of HKSA 220 (Revised), 88%, 12% and 2% of PIE Auditors had performed planning, designed controls and implemented controls, respectively, but none had yet monitored the effectiveness of controls in operation.

3.37   The implementation progress of HKSA 220 (Revised) varied among different categories of firms. Category A firms were farther along in the implementation journey compared to other categories of auditors.

3.38   All the Category A firms had already completed the planning. 67% and 17% of them had already designed and implemented controls, respectively.

3.39   All the Recognised PIE Auditors had also completed the planning but only 17% of them had already designed controls.

3.40   The progress of the Category B firms is more advanced than that of the Category C firms. 89% of the Category B firms had completed the planning but only 63% of the Category C firms had completed the planning.

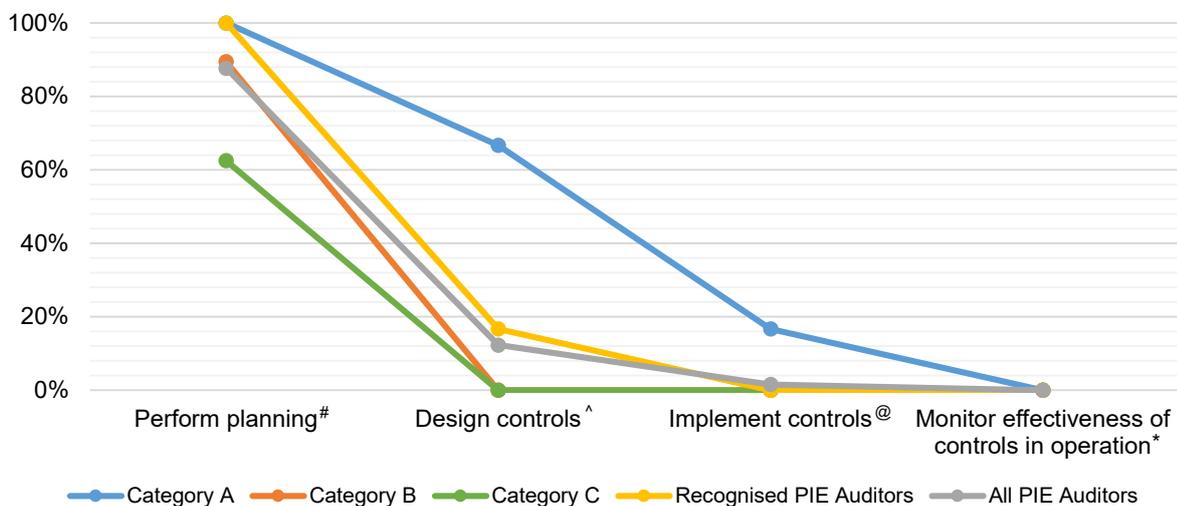Chart 10. Status of implementation of HKSA 220 (Revised)

Tasks under "Perform planning" include (i) develop project timeline and (ii) perform preliminary assessment of the impact to the firm.
^   Refers to the establishment of policies or procedures.
@   Refers to the implementation of designed policies and procedures.
*   Refers to the monitoring and testing of the implemented processes and procedures.

Area 13 79% of PIE Auditors would have dedicated post-implementation monitoring and evaluation teams (Chart 11)

3.41   79% of PIE Auditors would have dedicated teams after the implementation of the new QMSs to monitor and evaluate the ongoing design and operating effectiveness of their systems, processes and procedures. 3% had decided not to have a dedicated team and the remaining 18% had yet to decide.

3.42   21% of the Category B firms, 38% of the Category C firms and 8% of the Recognised PIE Auditors had yet to determine whether any dedicated team would be needed after the implementation of the new QMSs to monitor and evaluate the design and operating effectiveness of their systems, processes and procedures.

Chart 11. Dedicated post-implementation monitoring team
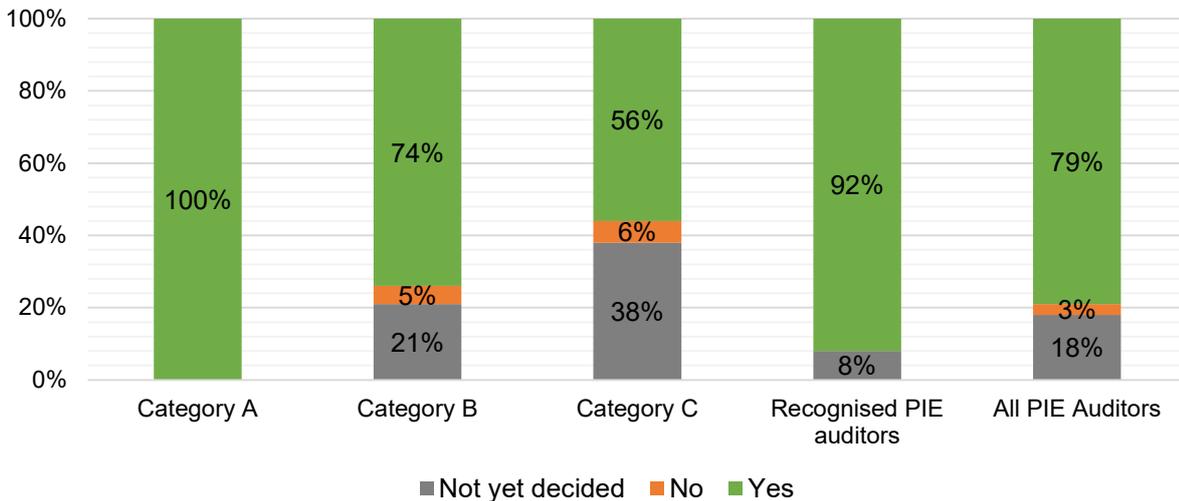
Observations and Recommendations

4.1   The new QMSs will have an impact on all audit firms regardless of the firm's size, as the standards emphasise the involvement of leadership and the establishment of a SoQM, not just engagement quality control. It requires a strong tone from the top to ensure a smooth and effective implementation of the firms' quality management systems.

4.2   The implementation of the new QMSs involves moving from compliance-based processes to a more proactive, dynamic, tailored, risk-based and scalable quality management approach. The new QMSs also encourage audit firms 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 the requirements is significant and implementation involves a significant transformation for many PIE Auditors.

4.3   One of the significant factors that will influence the outcome of this transformation is the degree of ownership and commitment of an audit firm's leadership. The successful implementation of new QMSs will rely on the tone set by the audit firm's leadership to emphasise the importance of achieving high quality in all the engagements that the firm performs.

4.4   The majority of PIE Auditors of all sizes have reported that their Board, executive committee and audit quality committee will have some or even heavy involvement in the implementation. This indicates a high degree of ownership and commitment of leadership in those firms. Audit firms which have not yet involved their Board, executive committee and audit quality committee in the implementation process are encouraged to consider the role of their firm's leadership in the implementation.

4.5   Compared with Category A PIE Auditors, the differences in major departments involved in the implementation might reflect a difference in specialisation or compartmentation by Category B and C firms of some of their functions, such as Quality Assurance and Risk Management and Ethics.

4.6   Although 75% and 66% of PIE Auditors stated that they experienced moderate to very significant challenges in getting sufficient staff resources and IT infrastructure to meet the implementation deadline, only 32% and 25% of them said they would require additional staff and IT resources. PIE Auditors should critically assess whether any apparent disparity in their self-assessments of the significance of the challenges and of the sufficiency of their staff and IT resources needs to be addressed.

4.7   We encourage PIE Auditors who have experienced a lack of clarity or diversity in interpretation of the new QMSs to communicate with the relevant standard setters in areas which require further clarification or interpretation.

4.8   PIE Auditors generally expected HKSQM 1 to have more impact on them than HKSQM 2 or HKSA 220 (Revised). Depending on the nature and circumstances of a PIE Auditor and the engagements they perform, the potential complexity of HKSQM 1 may require a considerable amount of time for implementation. Category A PIE Auditors expected the impact of HKSQM 1 to be more significant and they were in more advanced stages in the implementation journey. This suggests the implementation timeframes of audit firms may be a reflection of their size and complexity of their circumstances.

4.9   PIE Auditors that have yet to complete their evaluation of resource needs should determine their needs promptly as recruiting suitable staff and developing or upgrading IT infrastructure may take months and the deadline is only a little more than 8 months away.

4.10   PIE Auditors that have yet to determine whether they need a dedicated implementation team should perform an assessment as soon as possible, as they would need to secure sufficient and competent personnel required for the transition and implementation.

4.11   PIE Auditors that have yet to determine whether there is a need to engage any external service providers for the implementation of the new QMSs should make an assessment as soon as possible, as they need to assess whether they need to allow sufficient time for engaging external service providers.

4.12   The survey results enable PIE Auditors to gauge their implementation progresses against their peers. PIE Auditors that consider they may be lagging behind their peers may want to reconsider their plan to meet the implementation deadline. Those who have yet to kick start the implementation process are encouraged to perform a gap analysis to identify possible knowledge and resources gaps for the implementation as soon as practicable. All PIE Auditors need to take whatever steps are necessary to ensure implementation of the new QMSs by 15 December 2022.

4.13   The new QMSs strengthen the monitoring and remediation processes. PIE Auditors should not merely consider the monitoring process as an annual exercise, but rather critically assess whether they have sufficient resources to meet the provisions and spirit of the monitoring and remediation processes under the new QMSs.

Section 5

Looking Ahead

5.1   We will conduct a second survey in September 2022 to gain an updated understanding on the overall implementation readiness of PIE Auditors for the new QMSs.

Financial Reporting Council

Questionnaire on the implementation progress of the new and revised quality management standards[1]

Please submit the completed form by e-mail to frcinspection@frc.org.hk on or before 14 January 2022. Please send any questions you may have in respect of this questionnaire to frcinspection@frc.org.hk or contact Ms Jane Lai at 2236 6079.

Section 1	General information of the PIE Auditor	
1.1	Full name of the PIE Auditor	Tap here to enter text.
1.2	Address of registered office	Tap here to enter text.
1.3	Particulars of contact person	
1.3.1	Name	Tap here to enter text.
1.3.2	Position	Tap here to enter text.
1.3.3	Telephone number	Tap here to enter text.
1.3.4	E-mail	Tap here to enter text.

Section 2	Implementation progress *(Please complete Section 2 based on the current status as at the date of completion of this questionnaire.)*	
2.1	Has a work plan for the implementation of the New Quality Management Standards been developed and approved internally?	Select an option: ☐ Work plan not yet developed. ☐ Work plan being developed.

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[1] The new and revised quality management standards consist of (i) International/ 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* (**ISQM/HKSQM 1**); (ii) International/ Hong Kong Standard on Quality Management 2 *Engagement Quality Reviews* (**ISQM/HKSQM 2**); and (iii) International/ Hong Kong Standard on Auditing 220 (Revised) *Quality Management for an Audit of Financial Statements* (**ISA/HKSA 220 (Revised)**)) (collectively, the **New Quality Management Standards**).

		☐ Work plan has been developed and approved. ☐ Others, please explain Tap here to enter text.
2.2	Who is leading the implementation of the New Quality Management Standards?	Name: Tap here to enter text. Position: Tap here to enter text. Phone no: Tap here to enter text. E-mail: Tap here to enter text.
2.3	Is there a dedicated task force for the implementation of the New Quality Management Standards?	Please select an option.
2.3.1	What are the roles and responsibilities of the task force?	Tap here to enter text.
2.3.2	How many dedicated staff were employed by the task force?	Tap here to enter text.
2.3.3	Will there be a dedicated team after implementation to monitor and evaluate the design and operating effectiveness of the systems, processes and procedures?	Please select an option.
2.4	Please list out the major departments of your firm that (e.g. Technical, Risk, IT, Training, Quality Assurance, etc.) are/will be involved in the implementation of the New Quality Management Standards. Please limit to three (3).	Tap here to enter text.
2.5	Does/will the global network firm provide support for the implementation?	Please select an option. If 'yes', please briefly provide details on the support from the global network firm: Tap here to enter text.
2.6	Is/will external consultant be engaged to assist the firm for the implementation?	Please select an option.

2.6.1	Please briefly outline the work scopes of the external consultant.	Tap here to enter text.
2.7	What is the extent of involvement of the Board, executive committee and audit quality committee of the firm?	Please select an option.
2.8	What stage of preparation is your firm at with regard to the implementation of each of the following New Quality Management Standards?	
2.8.1	Implementation of ISQM/HKSQM 1:	A. Select all that apply: ☐ Not yet started ☐ Developed project timeline ☐ Performed preliminary assessment of ISQM/HKSQM 1's impact to the firm's system of quality control ☐ Appointed key system of quality management (SOQM) members ☐ Established quality objectives ☐ Identified and assessed risks to the achievement of the quality objectives (refer to as quality risks) ☐ Designed quality responses to address the quality risks ☐ Designed processes and procedures to support the operationalisation of quality responses ☐ Implemented designed processes and procedures

		☐ Monitored and tested the implemented processes and procedures ☐ Others, please explain Tap here to enter text. B. Percentage of required work that has been completed with regard to the implementation of ISQM/ HKSQM 1: Please select an option. Please briefly provide reason(s) if the percentage of required work completed is less than 40%: Tap here to enter text.
2.8.2	Implementation of ISQM/HKSQM 2:	A. Select all that apply: ☐ Not yet started ☐ Developed project timeline ☐ Performed preliminary assessment of ISQM/ HKSQM 2's impact to the firm's system of quality control ☐ Established policies or procedures addressing engagement quality reviews in accordance with ISQM/HKSQM 2 ☐ Implemented designed policies and procedures for all relevant engagements

		☐	Monitored and tested the implemented processes and procedures
		☐	Others, please explain Tap here to enter text.
		B.	Percentage of required work that has been completed with regard to the implementation of ISQM/HKSQM 2: Please select an option. Please briefly provide reason(s) if the percentage of required work completed is less than 40%: Tap here to enter text.
2.8.3	Implementation of ISA/HKSA 220 (Revised):	A.	Select all that apply:
		☐	Not yet started
		☐	Developed project timeline
		☐	Performed preliminary assessment of ISA/HKSA 220 (Revised)'s impact to the firm's system of quality control
		☐	Established policies or procedures addressing the requirements of ISA/HKSA 220 (Revised)
		☐	Implemented designed policies and procedures
		☐	Monitored and tested the implemented processes and procedures
		☐	Others, please explain

			Tap here to enter text.	
			B. Percentage of required work that has been completed with regard to the implementation of ISA/HKSA 220 (Revised):	
			Please select an option.	
			Please briefly provide reason(s) if the percentage of required work completed is less than 40%:	
			Tap here to enter text.	
2.9	What is the expected timeframe for completion of the implementation work?			
2.9.1	Implementation of ISQM/HKSQM 1:	Establish the quality objectives	Tap to enter a date.	
		Complete the firm's risk assessment process	Tap to enter a date.	
		Design the quality response to address the quality risks	Tap to enter a date.	
		Design the processes and procedures to support the operationalisation of quality responses	Tap to enter a date.	
		Implement designed processes and procedures	Tap to enter a date.	

		Provide trainings to staff and partners	Tap to enter a date.
		Monitor and remediate the processes	Tap to enter a date.
2.9.2	Implementation of ISQM/HKSQM 2:	Design the policies or procedures to address the requirements of ISQM/HKSQM 2	Tap to enter a date.
		Implement the designed policies or procedures	Tap to enter a date.
		Provide trainings to staff and partners	Tap to enter a date.
		Monitor and remediate the processes	Tap to enter a date.
2.9.3	Implementation of ISA/HKSA 220 (Revised):	Design the policies or procedures to address the requirements of ISA/HKSA 220 (Revised)	Tap to enter a date.
		Implement the designed policies or procedures	Tap to enter a date.
		Provide trainings to staff and partners	Tap to enter a date.

		Monitor and remediate the processes	Tap to enter a date.
2.10	Please rate the expected impact of each of the New Quality Management Standards on the firm.		
2.10.1	ISQM/HKSQM 1	Please select an option.	
2.10.2	ISQM/HKSQM 2	Please select an option.	
2.10.3	ISA/HKSA 220 (Revised)	Please select an option.	
2.11	What additional resources would be needed under the New Quality Management Standards?	Tap here to enter text.	
2.12	What are the key challenges for your firm to meet the 15 December 2022 implementation deadline of the New Quality Management Standards? Please indicate the significance of challenge faced by your firm. 1 – Very significant challenge 2 – Moderate level of challenge 3 – Less significant challenge	☐ Understand the requirements of New Quality Management Standards ☐ Understand and identify the quality risks of the firm ☐ Design appropriate responses to address the quality risks of the firm ☐ Sufficiency of support from the leadership team ☐ Sufficiency of staff resources to support the implementation ☐ Sufficiency of infrastructure to support the implementation ☐ Sufficiency of practical training and resources for the implementation ☐ Others, please explain: Tap here to enter text.	

2.12.1	Please briefly outline the plans to overcome the challenges.	Tap here to enter text.
2.13	Does your firm consider the implementation guide or other reference materials issued by the HKICPA[2], IAASB[3] and IFAC[4] provide sufficient guidance for the transition to the New Quality Management Standards?	Please select an option.
2.13.1	What additional guidance or support would be useful?	Tap here to enter text.

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[2] https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/New-and-major-standards/New-and-Major-Standards/Quality-Management-for-Firms-and-Engagements
[3] https://www.iaasb.org/focus-areas/quality-management
[4] https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/getting-started-new-iaasb-quality-management-standards-overview