

Press Release

31 March 2022

FRC publishes survey of implementation progress by PIE Auditors for new and revised quality management standards

The Financial Reporting Council (the **FRC**) today publishes the results of its survey (**Survey**) on implementation progress by Public Interest Entity (**PIE**) Auditors (the **PIE Auditors**) for the new and revised quality management standards (the **new QMSs**). The new QMSs are internationally aligned and will be effective from 15 December 2022. They require more proactive audit quality management at the firm and engagement levels and aim to enhance the effectiveness of the engagement quality control reviews and monitoring and remediation activities performed at the firm level to assure the quality of the audits performed.

Mr Marek Grabowski, CEO of the FRC, said, "As the regulator of PIE Auditors in Hong Kong, the FRC will have the duty to evaluate whether PIE Auditors implemented the new quality management standards by the fast approaching deadline of 15 December 2022. Doing so should further enhance their ability to address our inspection findings. For those PIE Auditors who have not yet developed their implementation plan (52%), we urge them to perform a gap analysis to identify and address any knowledge or resource needs without delay."

The FRC conducted the Survey in January and February this year. A self-assessment questionnaire was sent to all Registered PIE Auditors and Recognised PIE Auditors to understand their readiness for implementation of the new QMSs. Highlights of the Survey results include:

Implementation plan:

- 48% of PIE Auditors had developed implementation plans.
- 40% were still developing implementation plans.
- 12% had yet to start.

Three challenges identified:

- Staff resources, information technology infrastructure and designing responses to address their quality risks are the most commonly reported challenges to meeting the implementation deadline.

Implementation progress:

- 52% of PIE Auditors reported that they had already designed controls as required by HKSQM 1 or the equivalent international standard, a reasonably advanced stage of implementation.

Ms Eva Lau, Acting Head of Inspection, said, “Our Survey results would prompt PIE Auditors who are lagging behind their peers to gauge for implementation progress and take all necessary steps to meet the implementation deadline.”

Dr Kelvin Wong, Chairman of the FRC remarked, “The accounting and auditing profession is facing challenges under the current market uncertainties, which might impose further risks to audit quality. However, the profession should take every opportunity to improve their quality by aligning with the latest international standards. PIE Auditors’ proactive response to our report findings is crucial to the audit quality in the market as a whole. The FRC will continue to drive improvements on regulatees’ behaviour in order to foster a healthy and sustainable development of the accounting profession.”

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About the Financial Reporting Council

The FRC is the independent listed entity auditor regulator for Hong Kong. We are committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen investor confidence in corporate reporting.

For more information about the statutory functions of the FRC, please visit www.frc.org.hk.

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