

Practice review – the story so far

The Institute reports high response rates to the electronic self-assessment questionnaire

By Chris Joy



I have great news to report: For the first batch of practice review electronic questionnaires, only a single digit number of practices – out of around 1,500 – have yet to complete the questionnaire or file a declaration that they no longer audit. This is an excellent result and reflects Institute members' professionalism and commitment.

The July 2007 edition of *A Plus* carried an article on the revised practice review programme and the introduction of the electronic self-assessment questionnaire. There, I talked about the concerns of many small and medium-sized practices on the difficulties of completing the questionnaire and how the Institute would use the gathered information.

Between last August and this February, the Institute's quality assurance team hosted seven forums that drew more than 1,500 members. The forums covered the practice review programme's principles and main features, and provided help on completing and submitting the questionnaire. The Institute's chief

executive and registrar, the chair of the practice review committee and I have also been talking to small and medium-sized practice representative groups to allay their concerns.

When the Institute revised the practice review programme, we decided the most efficient approach was to issue the questionnaire in two batches, with practices being allocated randomly.

The questionnaire was made available to the first batch of around 1,500 practices from August 2007. By the submission deadline of 14 December 2007, only about 100 practices had failed to return the questionnaire or declare that they were no longer doing audits. We then followed up with those practices and now only a handful are still outstanding.

Practices in the second batch had until the end of March to submit the questionnaire, which they had had access to since 21 December 2007.

From the early returns, I have no doubt these practices will strive to meet the deadline like those in the first batch.

The quality assurance team began reviewing practices that audit listed companies toward the end of 2006 by meeting the Big Four. We then conducted site visits to review quality control procedures and completed audit engagements throughout last year. We presented reports on each of the practices to the practice review committee, a statutory body under the Professional Accountants Ordinance. The committee will receive reports on the Big Four every year.

Last year, the quality assurance team also started visiting other practices that audit listed companies and sent

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reports of these visits to the committee. Practices in this category will be reviewed at least once every three years and this year’s reviews are underway.

By mid-year, we will use questionnaires received from all other practices to select for review a sample of practices that do not audit listed companies. We will start with practices that audit public interest entities to ensure the Institute fulfils its commitment to keep practice review focused on risk and public interest. We will also conduct a small random sample to ensure a representative group of practices are reviewed. Although practices that do not audit listed companies will make up the bulk of the review sample, the Institute will ensure necessary reviewing resources are devoted to listed company auditors.

The greater number of reviews means that the quality assurance team will have to advise selected practices a proposed date for review. We will try to be sympathetic to requests for alternative dates, but they will not always be granted as we need to plan and manage our resources for conducting more than 100 visits a year.

Last year, we identified a number of problems affecting practices or where professional standards were difficult to apply after going through the results of

reviews finished to date and listening to questions raised at the forums as well as telephone and email inquiries. We will publish these matters in the practice review committee report this month. By highlighting such issues, practices can try to prevent similar problems affecting their work. The information will also alert the Institute and other educators about where practices may need more assistance. This feedback mechanism will be a valuable part of practice review.

Progress made with the practice review programme over the last 10 months is encouraging and the members who have participated deserve praise. We still have a lot of work to do before the programme is fully established and running at a volume of reviews that gives the programme credibility in the eyes of all stakeholders. It will take time to assess and use the programme’s results to make practice review in Hong Kong comparable to regulatory regimes in other jurisdictions. The Institute counts on the goodwill and support of members and practices to make this a reality.

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