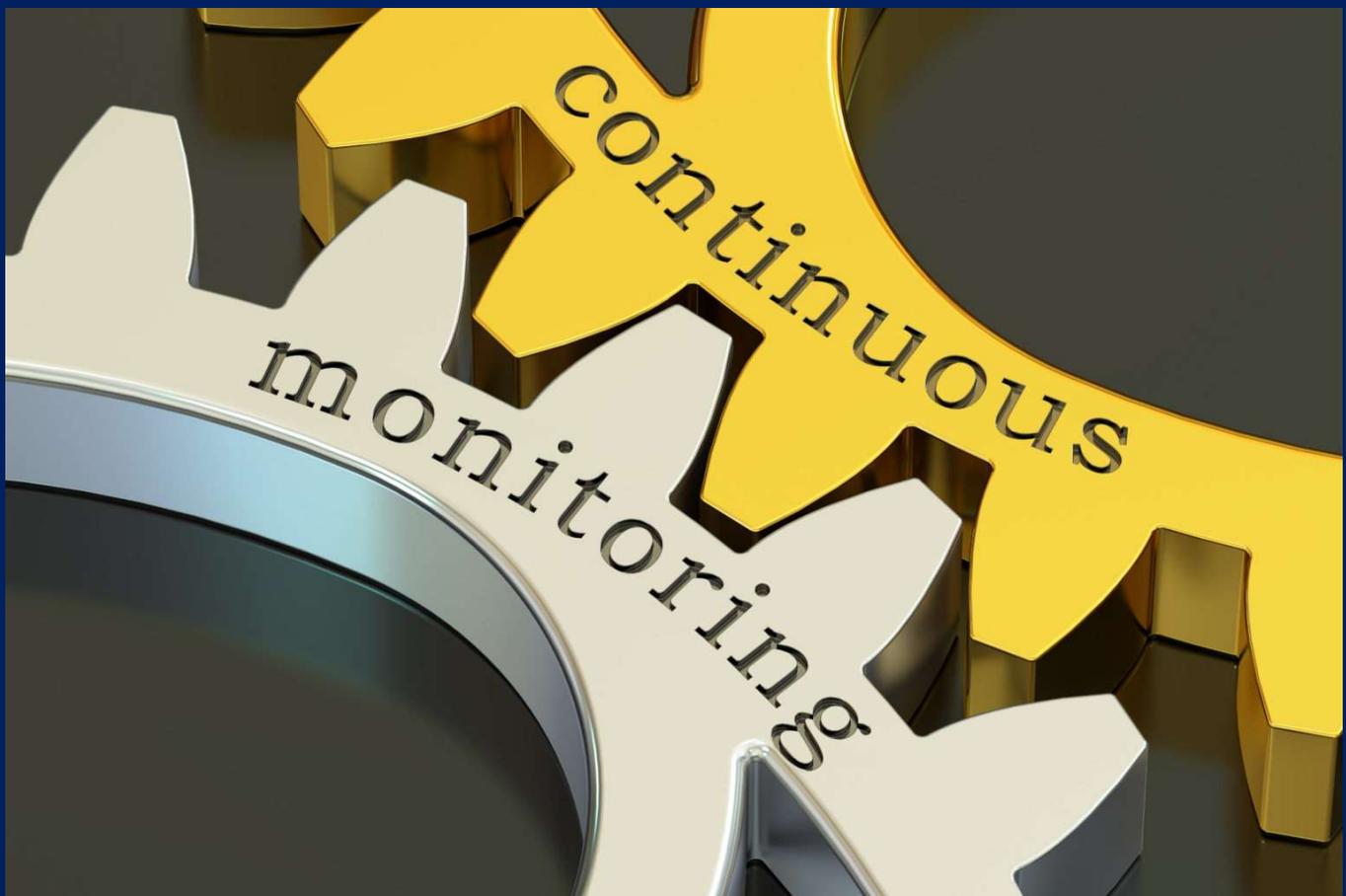


EXTERNAL MONITORING REVIEW SERVICES

INNOVATION | COMPLIANCE | RESULTS
Proactive Quality Assurance & Risk Management



SERVICE OVERVIEW

EQC Compliance Advisory's external monitoring review services deliver independent monitoring reviews and comprehensive engagement file assessments specifically designed to identify potential compliance gaps before regulators discover them during AFRC inspections. Our proactive quality assurance approach strengthens your practice's regulatory standing while enhancing client service delivery and operational efficiency, transforming monitoring from a compliance burden into a strategic advantage that positions your practice for sustained success in Hong Kong's demanding regulatory environment.

Our comprehensive monitoring package combines **Ongoing Policy Monitoring Review ("OPM")** for practice-wide quality control assessment with **Completed File Monitoring Review ("CFM")** for engagement-level audit quality evaluation, ensuring complete coverage of both systemic and specific compliance requirements. These expert-led reviews draw from extensive AFRC inspection experience and regulatory intelligence to provide insights that go far beyond generic monitoring services, delivering practical guidance that reflects actual inspector priorities and regulatory expectations rather than theoretical compliance frameworks.

As a strategic risk management tool, our monitoring services help practices identify areas where audit teams can optimize time allocation while ensuring robust compliance with HKSQM 1 requirements. Our practical approach focuses specifically on deficiencies that inspectors would actually identify while strategically ignoring issues that regulators typically overlook in their assessments, enabling your practice to direct resources toward areas that truly matter for regulatory compliance and audit quality enhancement.

Beyond identification of compliance gaps, our monitoring services provide essential remedial action support ensuring that proper corrective measures are implemented before final monitoring reports are issued, maximizing compliance effectiveness and regulatory readiness. As an essential component of practice quality management systems required for AFRC inspection submissions, our external monitoring reviews demonstrate your practice's commitment to continuous quality improvement while providing the documentation and evidence that regulators expect to see during compliance assessments.

WHY MONITORING REVIEW MATTERS

HKSQM 1 requires regular monitoring reviews as essential components of practice quality management systems, making external monitoring reviews mandatory submissions during AFRC inspections and fundamental requirements for regulatory compliance demonstration. Proactive identification of compliance deficiencies through independent monitoring enables practices to address potential issues before they become formal regulatory findings that could trigger investigations or enforcement actions, transforming monitoring from a compliance obligation into a strategic risk mitigation tool. External monitoring reviews demonstrate to AFRC inspectors that practices are genuinely committed to continuous quality improvement and maintaining the highest professional standards, providing tangible evidence of management's dedication to audit quality that regulators consistently seek during inspection processes.

Independent assessment through external monitoring provides objective evaluation of audit quality and compliance effectiveness that internal reviews cannot achieve due to inherent bias and familiarity limitations that compromise the thoroughness and objectivity of self-assessment processes. Early detection of systematic deficiencies allows practices to implement corrective measures across all engagements rather than addressing issues reactively after regulatory discovery, ensuring that quality improvements benefit the entire client portfolio and strengthen overall practice operations. This proactive approach not only enhances regulatory compliance but also delivers enhanced client confidence that results from demonstrated commitment to quality assurance and regulatory compliance through independent monitoring verification.

The competitive advantage that emerges from superior audit quality and compliance standing that external monitoring reviews help establish and maintain positions practices as preferred service providers in an increasingly quality-conscious marketplace. External monitoring serves as a comprehensive risk mitigation strategy that significantly reduces the likelihood of adverse regulatory findings and associated reputational and financial consequences for practice operations, protecting both current business relationships and future growth opportunities. By investing in external monitoring reviews, practices transform potential regulatory vulnerabilities into competitive strengths while ensuring sustained compliance with evolving professional standards and regulatory expectations.

**“EARLY DETECTION OF SYSTEMATIC DEFICIENCIES
ALLOWS PRACTICES TO IMPLEMENT CORRECTIVE
MEASURES ACROSS ALL ENGAGEMENTS RATHER THAN
ADDRESSING ISSUES REACTIVELY AFTER REGULATORY
DISCOVERY.”**

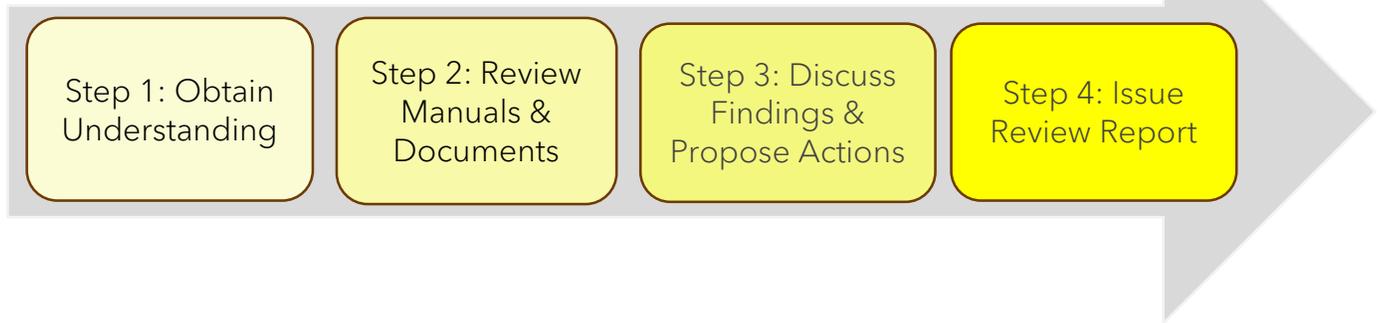
OUR APPROACH

EQC Compliance Advisory's monitoring approach is fundamentally distinguished by our deep understanding of AFRC inspection processes and actual regulatory expectations based on extensive inspection experience, enabling us to focus precisely on identifying deficiencies that AFRC inspectors would actually pursue while strategically ignoring issues that regulators typically overlook in practice. Our methodology combines comprehensive practice-wide policy review with detailed engagement-level audit quality assessment to provide complete monitoring coverage, utilizing a risk-based engagement selection process that targets high-risk areas including public interest entities, licensed corporations, group audits, and complex revenue recognition scenarios, accounting estimates, management override of controls, and recent economic factors, that consistently attract regulatory attention during inspections.

Our collaborative approach involves detailed discussion of findings and recommendations to ensure practice understanding and effective implementation of corrective measures, supported by practical remedial action guidance that ensures identified deficiencies are properly addressed with sustainable solutions rather than superficial corrections that fail to address underlying issues. Continuous monitoring support throughout the engagement period provides ongoing guidance and assessment of remedial action effectiveness, ensuring that corrective measures are not only implemented but also maintained and integrated into daily practice operations to prevent recurrence of similar deficiencies and strengthen overall quality management systems.

OUR SERVICE PROCESS

ONGOING POLICY MONITORING REVIEWS (OPM)



Step 1: Obtain an Understanding of your Practice’s Policies, Procedures & Controls

Our monitoring process begins with inquiries of key management members to understand how firm-wide operations and procedures are currently performed across critical quality management areas. This foundational step covers detailed assessment of compliance across practice wide operations. Through structured questionnaires, we establish an understanding of your practice's current quality management framework and identify areas requiring detailed examination during the monitoring process.

Step 2: Review SQM Manual and Documentary Evidence

Following our initial understanding, we obtain and comprehensively review your practice's existing System of Quality Management (SQM) Manual along with documents demonstrating its practical implementation throughout the monitoring period. Our detailed assessment includes evaluation of the risk assessment performed by your practice, identification of any relevant omitted risks and corresponding responses in your SQM Manual, and thorough analysis of whether existing procedures and policies have been consistently complied with during daily operations. This systematic review enables us to identify gaps between documented policies and actual implementation while assessing the effectiveness of your SQM in addressing identified risks.

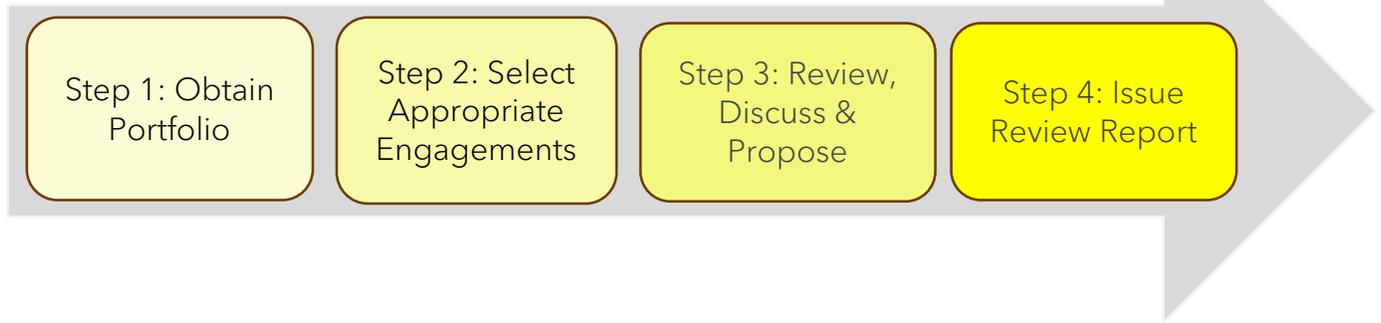
Step 3: Discuss Findings and Propose Actions

We compile a comprehensive list of findings on areas that may require attention or improvement, developing practical and feasible corrective actions tailored to each identified deficiency. We emphasize practical solutions that can be realistically implemented within your practice's operational constraints while addressing underlying causes, ensuring sustainable improvement in your quality management system.

Step 4: Issuance of Review Report

The monitoring process concludes with issuance of our OPM review report presented directly to practice management, documenting all findings, proposed actions, and implementation timelines for corrective measures.

COMPLETED FILE MONITORING REVIEWS (CFM)



Step 1: Obtain List of Client & Engagement Portfolio

Our CFM process begins with a review of your engagement portfolio over the last 1-3 years to understand the full scope of client relationships and audit challenges faced by your practice during the review period. This foundational step enables us to identify engagements that are representative of your practice's key audit challenges and areas that might attract particular interest from AFRC inspectors during regulatory reviews.

Step 2: Select Appropriate Engagements for Review

Based on numerous risk factors including client complexity, audit risk areas, and regulatory focus priorities, we systematically select engagements for detailed review, conducting high-level preliminary assessment of audited financial statements and audit reports before finalizing engagement selection. Our selection process prioritizes engagements that represent significant audit challenges, high-risk client scenarios, or areas commonly scrutinized during AFRC inspections to ensure maximum value from the monitoring process. Once engagement selection is finalized, practice management locates the archived audit files and submits them for comprehensive review, ensuring complete documentation is available for thorough assessment.

Step 3: Review Files, Discuss Findings & Propose Corrective Actions

We conduct intensive review of selected audit files, compiling comprehensive findings on areas requiring attention or improvement and developing practical corrective actions tailored to each identified deficiency. Our collaborative approach involves detailed discussion of audit file findings and proposed actions with management and audit teams, ensuring clear understanding of why these findings are relevant to regulatory compliance and audit quality enhancement. We emphasize practical solutions that address underlying audit procedure deficiencies, ensuring sustainable improvement in engagement-level audit quality and compliance effectiveness.

Step 4: Issuance of Review Report

The CFM process concludes with issuance of a detailed review report documenting key engagement-level findings, proposed corrective actions, and implementation timelines for audit procedure enhancements. This systematic approach creates a foundation for continuous improvement in engagement-level audit quality, positioning your practice for enhanced regulatory compliance and superior performance during future AFRC inspections.

NEXT STEPS

Take the next step toward operational excellence and regulatory confidence. Our team is ready to discuss your specific compliance challenges and design solutions that fit your practice's unique needs.

Contact Us for a Custom Quote

Every CPA practice is different, and your compliance solution should be too. Reach out to us today to discuss how we can help streamline your regulatory processes, enhance your operational efficiency, and give you the peace of mind that comes with expert compliance management.

Get in Touch

Phone: +852 6015-7080

WhatsApp: +852 9543-3218

Email: <mailto:services@eqcadvisory.com>

Website: <http://www.eqcadvisory.com>

Address: 22/F., 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong



Your compliance success is our commitment. Let's start the conversation today.