

SQMS Readiness Insights

How Does Your Firm Compare?

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INTRODUCTION

All assurance firms subject to regulatory oversight are required to implement a new quality management system, with key deadlines for SQMS and QC 1000 rapidly approaching on **December 15, 2025**.

For many, the shift to a risk-based approach in designing and implementing quality management systems marks a significant change from traditional quality control practices. Additionally, the requirement to monitor, annually evaluate, and certify the effectiveness of these quality management systems is new.

To assess readiness and identify the key challenges firms are facing, Makosi Strategy & Solutions (MSS) conducted a market survey across a diverse group of assurance organizations. As the role of quality management systems continues to evolve from compliance-focused frameworks to strategic enablers of operational excellence. Understanding this transition is essential.

This insights paper summarizes the MSS survey findings, highlighting practical implications and strategic opportunities for firm leadership and quality management leads aiming to enhance performance, meet regulatory demands, and improve customer and team satisfaction through robust quality systems.

The survey results were as of the end of May. Since the close of the survey, we have continued to dialogue with assurance firms, national and state regulators, and other industry experts. Those conversations have continued to influence our points of view.

This insights paper outline's key themes identified from the survey responses received



Comprehensive Risk Assessment

Refining core processes to address assessed quality risks, close gaps and boost effectiveness.



Improving Engagement Performance by Transforming Your Service Delivery Model

Modernizing, standardizing, centralizing and deploying technology that leverages automation and data.



Resources Optimization

Smarter staffing, clearer roles, performance development, and better use of technology.



Continuous Monitoring and Assessment

Real-time insights, quality indicators, root cause, and remedial action.

COMPREHENSIVE RISK ASSESSMENT

The shift from a compliance-based to a risk-based Quality Management System represents a foundational change under the new standards. Unlike the previous "one-size-fits-all" approach, the new standards require a tailored, robust analysis, based on the specific characteristics of a firm and its' assurance portfolio to identify those quality risks that merit a specific response to achieving quality objectives.

Firms may underestimate the degree of change required to meet these new expectations. One of the most significant challenges lies in identifying and addressing gaps, areas where existing policies and processes fall short of responding to identified quality risks.

Almost **70%** of survey respondents are uncertain or expect gaps to exist between risks and responses, which suggests a striking level of uncertainty when transitioning from a compliance-based to a risk-based approach.



With approximately four months remaining before the implementation deadline, time is of the essence. Firms that invest in a thoughtful and comprehensive risk assessment will be better positioned to efficiently identify and close gaps. In the long run, this approach not only streamlines the implementation process but also leads to a more efficient, effective and sustainable quality management system.

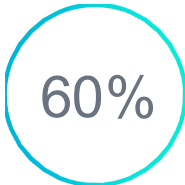
This iterative process can be applied not only to quality risks but also to operational risks within and around attest service delivery. Expanding the risk assessment process beyond quality risks presents an opportunity to reimagine service delivery and adjacent business processes.

By identifying operational gaps in existing practices, processes can be rationalized, leading to operational excellence in the delivery of core services.

This not only results in quality improvements but also enhances client and employee experiences and significantly improves operating and financial results.

IMPROVING ENGAGEMENT PERFORMANCE BY TRANSFORMING YOUR SERVICE DELIVERY MODEL

Standardization and Elimination of Variability



60%

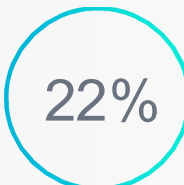
of survey respondents believe that the transition to the new quality standards presents a timely opportunity to address challenges caused by variability in the service delivery process.

By standardizing policies and practices, firms can reduce variability and strengthen the reliability of their audit outcomes. This standardization effort enables audit leaders to identify fragmented or ad-hoc methods and replace them with structured, scalable approaches.

When firms reduce variability, they also reduce the opportunity for quality deficiencies, creating a more predictable, defensible, and efficient service delivery model.



Modernized Workflow



22%

of survey respondents currently expect significant technological investments and early signs indicate that leading firms will be those who see workflow not just as a compliance issue, but as a competitive advantage.

Modernized workflows involve streamlining engagement steps, clarifying decision points, and embedding continuous improvement principles.

IMPROVING ENGAGEMENT PERFORMANCE BY TRANSFORMING YOUR SERVICE DELIVERY MODEL

Automation and Leveraging Data

Automation is under-leveraged in current firm strategies, with only a minority expecting technology to play a major role. However, among those who do, areas such as service delivery, risk compliance and quality monitoring are prioritized. Data-driven automation enables firms to pre-emptively address risk, embed consistency, and enhance audit quality.

When technology is applied thoughtfully, it can eliminate non-value-adding manual tasks, allowing professionals to redirect attention toward judgment-driven activities that enable higher quality audits.

Alternative Delivery Channels

Survey participants who cited gaps in resources, governance, and engagement performance may be signaling a need for alternative delivery models such as centralized quality support teams or service centers and centers of excellence that broadly support the audit. Reallocation through alternative channels is not just a potential solution to capacity issues; it is a strategic opportunity to realign the right skills on difficult audit areas and increase quality.

RESOURCE OPTIMIZATION

Survey results indicate that respondents expect significant gaps between the required responses to risks under the new quality management standard and their existing processes and controls.

Several respondents indicated significant gaps in multiple areas, most notable concerns relating to **resources and monitoring**.

RESOURCE OPTIMIZATION

People, Workforce Management & Alternatives

Survey responses indicate that while in-house expertise is present in some firms, many still face challenges in capacity. Better control of resources begins with understanding where quality risks intersect with staffing gaps.



Roughly **56%** reported that operational responsibilities have been appropriately assigned for implementation.



Nearly **66%** of respondents felt they had the appropriate in-house expertise to implement the new quality standards.



49% confirmed that training is either provided or planned for the implementation of QMS.



Less than half, only **42%** reported having a completed project plan for their QMS implementation.



42% expect changes to **their** performance management process as a result of the new quality standard.

Through robust risk assessment, firms can realign people to higher-risk areas, consider shared services for recurring tasks, and invest in training that builds practical competencies, not just theoretical knowledge.

Additionally, firms should consider more **flexible resourcing models** to address spikes in demand while ensuring consistent, quality execution across engagements.

RESOURCE OPTIMIZATION

Technology and IP in Delivering a Quality Audit

The profession is increasingly recognizing the pivotal role technology plays in delivering a high-quality audit, not just in implementing a QMS. A more technology-rich audit environment naturally supports **higher quality, greater efficiency, and deeper insights**.



Quality is improved through automation, which reduces variability, enforces standardization, and enables consistency across engagements.

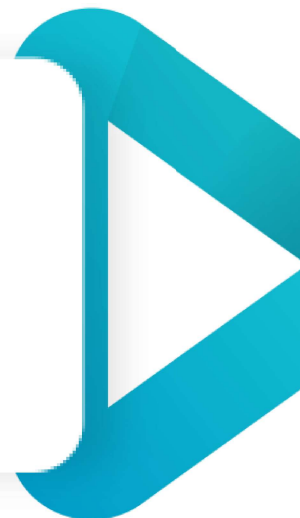


Efficiency is gained as routine, manual tasks are replaced by automated processes and intelligent workflows, allowing professionals to focus on higher-risk and judgment-intensive areas.



Insights are amplified by the ability to analyze and interpret large volumes of audit data, surfacing patterns, anomalies, and relationships that would otherwise go undetected.

Intellectual property (IP) also plays a role here. A firm's audit methodology, practice aids, workflow tools, and structured approaches to judgment areas all represent internal assets, enablers of quality and consistency. Embedding this IP into audit execution reduces reliance on individual discretion, supports compliance, and elevates the audit process from being person-dependent to system-supported.



RESOURCE OPTIMIZATION

Technology and IP in Executing the Quality Management System (QMS)

While the survey questions about technology were framed specifically around implementing and maintaining the QMS, the underlying themes point to a broader challenge and opportunity.

Technology in the context of QMS execution is less about a single platform and more about supporting the ongoing processes of **monitoring, assessment, and remediation**.



Quality:

A well-designed system ensures consistent documentation, compliance with firm-wide standards, and a structured approach to activities such as root cause analysis or audit quality reviews.



Efficiency:

Technology enables seamless tracking of risk assessments, remediation activities, and engagement-level controls, reducing administrative burden and increasing the speed of action.



Insight:

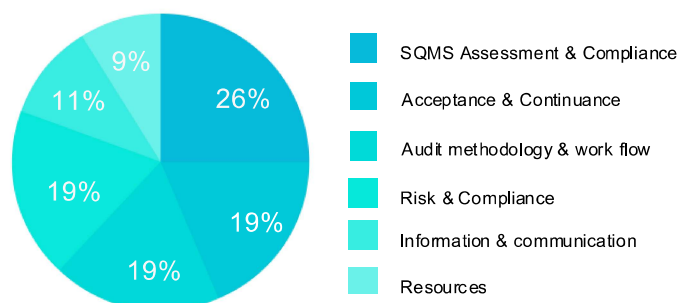
Digital tools can aggregate and analyze audit quality indicators, enabling firms to detect trends, benchmark performance, and proactively address emerging risks before they materialize.

While the scope of technology for QMS execution is narrower than for audit delivery, its importance cannot be understated.

Tools that support information flow, documentation control, and real-time quality monitoring will be essential to sustaining a responsive and resilient QMS.

Areas in which respondents expect new technology tools will be needed to implement and maintain QMS:

Areas for new technology tools:



MONITORING AND ASSESSMENT

Developing and Leveraging Audit Quality Indicators (AQIs)

The new quality standards encourage a shift from reactive inspection to proactive monitoring. To support this shift, firms must identify and monitor audit quality indicators that provide real-time or near-real-time insights into performance. Although not all respondents have clarity on where gaps may exist, those that do highlight monitoring and remediation as key pressure points.

AQIs such as workload metrics, team leverage metrics, and engagement milestone monitoring offer a way to measure what matters and to shift the monitoring from a lagging compliance exercise to a forward-looking quality assurance function.

Assessment and Deficiency Remediation

Only **17%** of firms currently expect to change their deficiency evaluation processes as a result of the requirement to use root cause analysis to evaluate deficiencies. The ability to identify, assess, and remediate systemic deficiencies will become a differentiator.

Effective remediation is not only about fixing what went wrong, but also about understanding why it went wrong and preventing it in the future.

Quality, Productivity, and Business Insights

Monitoring and remediation can be more than compliance; it can also provide key insights into your business. Firms that approach the adoption and ongoing monitoring and remediation with a learning mindset will find themselves with better data on productivity, staffing, client risk, and audit quality.

These insights, in turn, support better decisions at all levels, from engagement management to firm governance. When properly implemented, monitored, and remediated, your Quality Management System will not only improve audit quality; it can help you improve operations and profitability.

MONITORING AND ASSESSMENT

Control Reliability: Understanding the Trade-offs Across System, Process, and Management Review Controls

An important insight emerging from our exploration of Quality Management Standard implementation relates to the varying degrees of reliability and assurance offered by different types of controls specifically system-based, process-level, and management review controls. This distinction is critical for organizations to understand when designing or refining their control environments to support continual improvement.

System-based controls

Are generally the most reliable, provided that the integrity of the system and its environment is maintained. Once properly configured and safeguarded, these controls function with minimal risk of error, given their automation and consistency. As such, they offer a high degree of assurance, errors are typically only introduced through direct intervention or manipulation. However, based on the survey responses, reliance on system-based controls may still be limited in some contexts due to lagging technological capabilities or infrastructure gaps.

Process-level controls

By contrast, are executed by individuals and often reviewed by supervisors, making them inherently more prone to human error. Nonetheless, these controls tend to be well-defined, granular, and embedded into routine operations, which provides a higher level of reliability compared to management review controls. Importantly, they also align closely with the continuous improvement principles embedded in modern QMS frameworks, providing natural opportunities for iterative enhancement and alignment with service delivery models.

Management review controls

Present the greatest challenge from both a design and assurance perspective. These controls often depend heavily on judgment, reliable underlying data, and a well-documented rationale for conclusions and responses to deviations. Testing these controls is inherently complex. Their qualitative nature makes them the least reliable in terms of providing consistent and objective assurance, despite often being applied to high-impact areas.

Given these dynamics, it is essential that organizations consider the trade-offs between reliability, quality, efficiency, and complexity when choosing or designing controls. A possible model to guide this thinking is to view controls along a spectrum, from management review (less reliable) to process-level (moderately reliable) to system-based controls (most reliable). Understanding this continuum allows organizations to balance control objectives with operational realities, especially when mapping controls to QMS implementation priorities.

CONCLUSION

As the deadline for implementation of the new quality management standards approaches, the profession stands at a pivotal juncture. The shift from a compliance-focused model to a dynamic, risk-based Quality Management System is not merely a regulatory requirement, it is an **opportunity to embed quality into the core of audit service delivery.**

The survey results reflect both momentum and uncertainty: many firms have begun laying the foundation for change, yet significant gaps remain in areas such as risk response alignment, technology integration, monitoring, and root cause remediation.

Firms that view this transition as a strategic enabler rather than an administrative burden are already demonstrating what is possible by modernizing workflows, investing in automation, realigning resources, and developing more proactive approaches to quality monitoring and continuous improvement.

Equally important is recognizing the varying reliability of control types and intentionally designing systems that balance quality, efficiency, and assurance.

**There is no
one-size-fits-all
solution.**

However, the collective insights captured in this survey point to a clear path forward: one that values rigorous assessment, smart use of technology, enhanced audit execution, and data-driven decision-making.

In this environment, Quality Management Systems are no longer back-office compliance exercises, they are engines of operational excellence, cultural change, and sustainable firm growth.

HOW CAN WE HELP?

Our Readiness Check-up provides a cost-effective, tailored review evaluating your risk assessment process, gap analysis, and the effectiveness of your resulting processes, policies, documentation, and monitoring and assessment plan.

Our check-up will align with your current stage of implementation, offering insights, observations, recommended actions, and assistance to ensure a successful transition to the new standards.



With expert industry veterans who have driven quality transformation in assurance practices,
MSS is ready to partner with you.

Let's talk. Contact us at TeamMSS@Makosi.com to schedule an introductory discussion.

Contact Us

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Appendix: Survey Questions and Responses

This appendix presents the full set of survey questions and corresponding responses collected between April and May 2025. Each question is accompanied by the aggregated responses. These results provide additional context to the key themes and insights discussed in the main body of the paper.



Strongly
Disagree



Disagree



Neutral



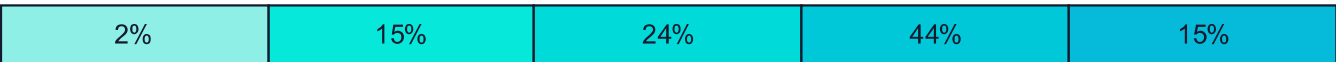
Agree



Strongly
Agree

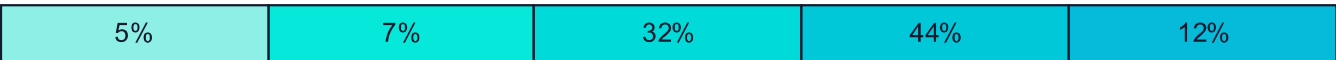
01.

The new quality standards are an opportunity to improve our audit quality and incorporate quality control more broadly in our business.



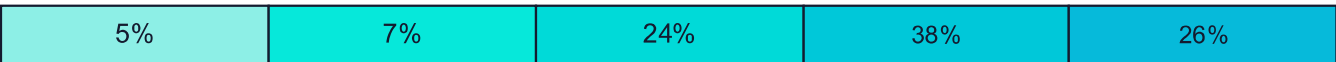
02.

At our firm, operational responsibilities have appropriately been assigned for the implementation and adoption of the new quality standards.



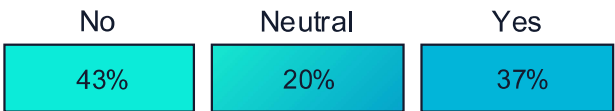
03.

Our firm has the appropriate in-house expertise to implement and execute the new quality standards.



04.

We have completed our preliminary risk assessment process under the new standard?



05.

Significant gaps may exist between expected responses to risks under the new standard and existing quality management processes and controls?



 Strongly Disagree

 Disagree

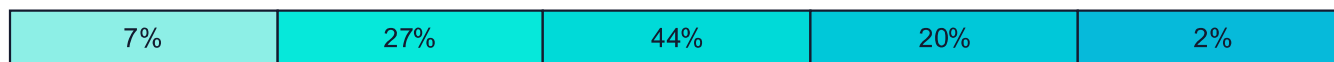
 Neutral

 Agree

 Strongly Agree

06.

New technology tools will be needed to implement, operate and maintain your QMS under the new quality standards.



07.

A project plan for the implementation of the new quality standards has been completed.

No

Neutral

Yes

39%

41%

20%

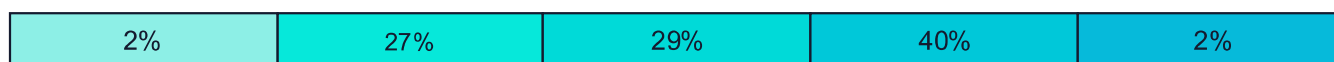
08.

Training has been provided or is planned on new quality standards for partners, professionals, and support functions expected to have a role in the implementation and maintenance of our QMS.



09.

Changes to our performance management process are expected as a result of the new quality standards.



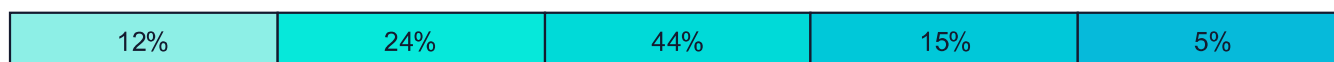
10.

Changes to our client acceptance and continuance process are expected as a result of implementing the new quality standards.



11.

Changes in how resources are allocated to audit engagements are expected as a result of implementing the new quality standards.





Strongly
Disagree



Disagree



Neutral



Agree



Strongly
Agree

12.

We expect significant changes requiring additional activities and resources to monitor and maintain QMS.

7%	25%	44%	15%	9%
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13.

An engagement quality review (EQR) will be an appropriate response to an assessed quality risk and, therefore, required EQRs will have a significant impact on the QMS.

5%	2%	42%	42%	9%
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14.

Do you anticipate significant changes in the firm's Engagement Quality Review process?

7%	34%	32%	20%	7%
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15.

Do you anticipate significant changes to your internal inspection process to meet the monitoring and remediation requirements included in the standards?

7%	29%	29%	29%	6%
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16.

Do you believe your firm will need to change your process for evaluating deficiencies in order to complete a root cause analysis?

5%	34%	44%	12%	5%
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 Strongly Disagree

 Disagree

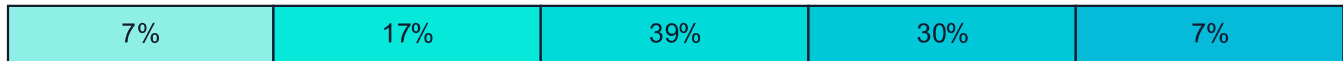
 Neutral

 Agree

 Strongly Agree

17.

Overall, I would describe our firm's progress toward successfully implementing and adopting the new quality standards as on target.



18.

What is the expected nature of the most important control(s) in each of the following components?

	Management review controls	Process level controls	System-based controls
Governance & Leadership	85%	10%	5%
Relevant Ethical Requirements	42%	34%	24%
Acceptance & Continuance	39%	39%	22%
Engagement Performance	15%	56%	29%
Resources	32%	29%	39%
Information & Communication	27%	42%	31%
	40%	35%	25%