

Views on the Testing and Certification Industry and Suggestions on Improvement of Standard

The T&C industry has been doing a lot to improve itself over the years. However there are still room for improvement and the following gives the reviews of HKQAA on the current landscape and measures that can be adopted to improve the standard of auditor in particular.

1. Accreditation and Regulatory Requirements and Certification Bodies Practices

- (a) **Referring to international accreditation requirements:** ISO 17021 and related International Accreditation Forum (IAF) issued Mandatory Documents specify the competence requirements, including initial qualification and re-qualification of auditor, audit performance review, auditor's sector competence. Accreditation bodies (AB), including HKAS, follow these requirements to perform the accreditation assessments. These requirements commonly specify the minimum academic requirements, working experience as well as training requirements.
- (b) **Referring to Mainland requirements:** On top of international accreditation requirements, the Mainland Government imposes stringent and comprehensive regulatory controls for certification bodies and auditors to regulate the industry. The certification bodies (CB) have to obtain approval from Certification and Accreditation of the People's Republic of China (CNCA) for operating certification service against specific standard. CB has to demonstrate its financial and technical capability for operating certification services against specific standard. The auditors have to obtain registration from China Certification & Accreditation Association (CCAA). The CCAA auditors are also required to attend annual continuous development training. The CNCA also performs frequent market surveillance inspection activities to check the quality and integrity performance of auditor and CB.
- (c) **Referring to HKQAA Practices:** HKQAA operates certification services in according to ISO 17021 and related IAF Mandatory Documents, additional requirements from different AB, including HKAS, UKAS (UK National AB), CNAS (China National AB), UNFCCC (United Nation AB), and SAAS (Scheme owner of SA8000). The majority of HKQAA auditors have more than 15 years audit experience and about 10 working experience in industries before joined HKQAA. In recent years, we have recruited few younger auditors for succession arrangement. We engage very small number of part-time auditors who mostly are our former auditors. Since the HKQAA establishment, independent technical review practice had been implementing for managing the competence and performance of auditors and assuring technical decisions are made with no influence from business interests. Corporate Compliance Branch also perform unannounced internal audit to audit services delivery activities to monitor auditors' quality and integrity performance.
- (d) **Referring to international CB practices:** They operate certification services in according to AB's requirements as they commonly provide comprehensive accredited certification services. They have small auditor team in Hong Kong (HK) as the local market is so tiny for them. They target on Mainland instead of HK

market. In addition, they consider system certification is value-added services for their product testing and certification business.

- (e) **Referring to local CB practices:** Most local CB are owned by the Consultant for system certification (Consultant). They target on providing system certification in HK market. They commonly seek for HKAS accreditation in specified scope and/or standard. Most local CB setup very small auditor team with very young technical background for lower operating cost. They usually engage part-time auditors, who are also Consultants, to deliver audit services.

2. Potential Issues of the Existing Certification and Accreditation System

- (a) **Commercial interest vis-à-vis the technical competence:** The effectiveness of certification and accreditation is highly depended on the honesty of the concerned parties, including auditors, CB, AB, and organization which seek for certification. Commercial interest and motive could undermine the integrity and effectiveness of certification and accreditation system.
- (b) **Personal ethics standard could undermine the credibility of certification:** experience and competency of auditor/Consultant may not assure robustness of the evidences submitted for fulfilling internal and/or external certification and accreditation requirements, in particular under the influence of commercial benefit.
- (c) **Severe competition in a shrunken certification market trigger improper management:** Referring to the ISO survey, there is a downtrend of ISO 9001 and ISO 14001 certificates in Hong Kong in past few years. The severe competition could trigger small CB adopting more aggressive business strategies to compete with the market leaders, such as engaging more part-time auditors for reducing fixed cost, recruiting more young auditors, offering integrated Consultant and Certification services, or even wrongfully prepared evidence for certification.

3. Recommendations

- (a) It is suggested **requiring auditors to become CCAA registered auditor** to ensure they are competence to perform audits and will receive continuous development training.
- (b) It is suggested **implementing market surveillance audit** to inspect the integrity and quality performance of auditor and CB.
- (c) It is suggested reducing the influence of commercial interest of CB by **mandating certification services could only be provided by the Non-Profit Distributing organization.**