

# QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

## STAKEHOLDER REPORT

### 2017

#### **Background**

All CIIPA registered firms are subject to review at least every three years by means of the QARS. The reviews encompass the firm's quality control procedures and all assurance engagements and assesses the firm's compliance with auditing standards and quality controls standards. The focus for cycles 1 and 2 is audit engagements with a plan to review all assurance engagements in cycle 3.

The first cycle (2013-2015) was a transitional review whereby no referrals to investigation on the basis of quality control-related findings were to be made, unless grounds for such under the Law were discovered and it would be against the public interest not to refer to investigation.

With the passing of the Accountants Law 2016 and the Accountants (Quality Assurance) Regulations 2016, firms registered with CIIPA in the last quarter of 2016 and then CIIPA began the second cycle of reviews starting in 2017 with newly prescribed auditing and quality control standards and clear powers of review, discipline and enforcement.

Prior to that, in May 2016, CIIPA hosted a briefing session for members and stakeholders on the then forthcoming Accountants Law and Regulations. The sessions included detail on the changes to QARS for cycle 2. CIIPA also met individually with licensed practitioners and their firms to ensure their understanding and expectation of obligations and that the authority of the provisions were clear.

The Institute of Chartered Accountants in England and Wales ("ICAEW") continues as the Review Body appointed to undertake the QARS monitoring visits on behalf of CIIPA.

In February 2017 CIIPA issued a Statement of Principle of auditing standards which granted a transitional period for client engagements to be changed to prescribed auditing standards for audits of accounting periods ending after December 15, 2017.

## Process

At the time of selecting members for review there were 46 firms. The selection was made to ensure that the profile of the entire profession was represented. Thus in 2017, the selection comprised one large network firm, one mid-tier firm, and 14 smaller firms including firms represented by two different sole practitioner firms.

All firms were notified of their selection in January 2017 for a visit in May 2017.

Prior to the visits a number of firms submitted enquiries to CIIPA and/or the Review Body and these were answered. Prior to the visit all selected firms were contacted by the Review Body and had a meeting by telephone to prepare for the visits.

The visits took place during the period 9-26 May 2017 entailing 39 onsite visit days. During that time three reviewers examined the firms' whole firm procedures along with 36 audit files.

Before the end of the visits the reviewers discussed their closing record with the firms and this was then provided to the firms with the opportunity to respond within 15 days.

## Findings and Conditions

The first year of cycle 2 reviews has produced satisfactory results overall. All firms visited cooperated with the review process and submitted responses to the issues raised.

One firm selected had not yet conducted any audits nor been engaged by any clients at the time of the visit and CIIPA therefore conducted a limited scope visit to understand the systems and processes they will be using on the future engagements.

Conditions were imposed on four firms, two of which are to be subject to a revisit in 2018 to ensure conditions imposed by CIIPA are complied with. One firm opted to cease assurance work rather than comply with the conditions and CIIPA has taken steps to ensure client engagements have been terminated.

Where applicable, firms were also provided with constructive recommendations to be implemented prior to the next visit in the third cycle.

## Co-operation

After a long period of consultation and co-operation, CIIPA entered into a formal MOU with the Auditor Oversight Authority in February 2017. This

solidifies the relationship including working together to co-ordinate visits and inspections where appropriate and sharing of information to guide strategic and regulatory policies.

CIIPA continues to work towards the execution of a MOU with the financial regulator the Cayman Islands Monetary Authority (“CIMA”). The approval of audit firms by CIMA, although related, is independent of CIIPA’s Quality Assurance process, since a licence may be granted by CIIPA to an individual and a firm may be registered according to the Accountants Law and yet no approval from CIMA may have been obtained or required (where the firm’s clients are not CIMA regulated or the engagement is a non-audit assurance engagement).

### **2018-19**

The second year of cycle 2 will proceed in 2018. A briefing for all firms is planned for January 2018. The objective is to maintain the same process and approach in the whole of cycle 2 with the exception of the following :

#### *Visit Dates*

CIIPA plans to change the visit period from May to September.

#### *Pre Visit Information and Declaration Form*

On selection Firms are notified of the date of the visit and required to complete and return a *Pre Visit Information and Declaration Form* within 10 days. To assist firms that have not already received, the *Pre Visit Information and Declaration Form* was provided to all firms in January 2018 so they are able to prepare for completion when selected for a visit.

#### *Helpsheet: Guide to QAR Visits*

The Helpsheet has been updated to provide clarity regarding how non audit assurance engagements are monitored, access to working papers and the process for the imposition of conditions.