

QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT

2018

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 second cycle of reviews started in 2017 with newly prescribed auditing and quality control standards and clear powers of review, discipline and enforcement pursuant to the Accountants Law 2016 and the Accountants (Quality Assurance) Regulations 2016.

CIIPA continues to meet individually with licensed practitioners and their firms to ensure their understanding and expectation of obligations.

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.

Standards

For audits of accounting periods ending after December 15, 2017 the Statement of Principle of auditing standards deems the following standards to be equivalent to those prescribed in the Regulations i.e. the International Auditing and Assurance Standards Board; and the Generally Accepted Auditing Standards promulgated by the Auditing Standards Board, a division of the American Institute of Certified Public Accountants:

The International Standards on Auditing (UK) (issued by the UK Financial Reporting Council)
The International Standards on Auditing (Ireland) Auditing Standards (issued by Irish Auditing and Accounting Supervisory Authority)
Hong Kong Standards on Auditing (issued by the Hong Kong Institute of Certified Public Accountants)
Generally accepted auditing standards in Japan (comprising The Auditing Standards codified by the Business Accounting Council together with the implementation guidance issued by JICPA (Japanese Institute of Certified Public Accountants))
Canadian Auditing Standards (issued by the Auditing and Assurance Standards Board)
Singapore Standards on Auditing (issued by the Institute of Singapore Chartered Accountants)
Auditing standards issued by the United States Public Company Accounting Oversight Board (PCAOB)

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 2018 the selection comprised two large network firms, one mid-tier firm, and 8 small firms. Two firms that were visited in 2017 resulting in findings and conditions were revisited as follow up.

All firms were notified of their selection in April 2018 for a visit in September or October 2018.

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 24 September to 12 October 2018 entailing 53 onsite visit days. During that time five reviewers examined 11 firms' whole firm procedures along with 27 audit files. Two firms were revisited with 6 files reviewed.

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 second year of cycle 2 reviews has produced satisfactory results. All firms visited cooperated with the review process and submitted responses to the comments.

No findings were reported and thus no conditions were imposed. Where applicable, firms were also provided with constructive recommendations related to matters noted during reviews.

Co-operation

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 third year of cycle 2 will proceed in 2019.