

QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT 2019

Background

All CIIPA registered firms are subject to a periodic review by means of the QARS. The reviews encompass the firm's quality control procedures and a selection of assurance engagements from firms' portfolios of such engagements and assesses the firm's compliance with auditing standards and quality controls standards.

The first cycle ran 2013-2015 and 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, which were amended in 2019.

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") was reappointed as the Review Body in November 2019 to undertake the QARS monitoring visits on behalf of CIIPA for a further six years.

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 registered public practice firms. The selection of firms was made to ensure that the profile of the entire profession was represented. Thus in 2019 the selection comprised one large network firm, two mid-tier firms, and 18 small firms. There were no revisits in 2019.

All firms were notified of their selection in April 2019 for a visit in September or October 2019.

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 23 September to 19 October 2019 entailing 59 onsite visit days. During that time four reviewers examined 21 firms' systems of quality control over assurance engagements along with 44 assurance engagement 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 third year of cycle 2 reviews has produced satisfactory results. All firms visited cooperated with the review process and submitted responses to the comments.

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 could use on future engagements.

Findings were reported for four firms and conditions were imposed including an additional limited scope visit in 2020 for one firm. One other of the four firms that had not yet conducted any audits nor been engaged by any clients at the time of the visit, opted to cease assurance work rather than comply with the conditions. In that case, CIIPA took steps to ensure client engagements were terminated and the licensing and registration of the firm was not renewed. Where applicable, firms were also provided with constructive recommendations related to other matters noted during reviews.

Co-operation

CIIPA continues to work towards the execution of a Memorandum of Understanding 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).

2020-2022

The first year of cycle 3 will proceed in 2020.