

QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT 2022

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 to assess the firm's compliance with auditing standards and quality controls standards.

Auditing and quality control standards and powers of review, discipline and enforcement are set out in the Accountants Act (2020 Revision) as amended and the Accountants (Quality Assurance) Regulations (2020 Revision) as amended.

The first cycle of reviews ran 2013-2015, the second cycle of reviews in 2017-2019 and the third cycle 2020-2022. This report pertains to 2022, which was the third year of Cycle 3.

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

Standards

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)

During 2021, the International Auditing and Assurance Standards Board approved the new International Standards on Quality Management (ISQM1&2) which required firms to have compliant systems in place by December 15, 2022.

Outreach and training for firms was provided during 2022 to ensure firms are prepared for the new standard and CIIPA's monitoring based on the new standards.

Process

At the time of selecting firms for review there were forty-three (43) registered public practice firms. The selection of firms was made to ensure that the profile of the entire profession was represented. Thus in 2022 the selection comprised nineteen firms; one large network firm; two mid-tier firms; and sixteen small firms. There were no revisits in 2022.

All firms were initially notified of their selection in July 2022, for a visit in November 2022.

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

The visits to the firms took place onsite during the period 14 November to the 25 November 2022. During that time five reviewers examined seven (7) firms' systems of quality control over [CB(1)[LB2][LB3]assurance engagements along with thirty-four (34) assurance engagement files. In addition, there was an interim review visit to [twelve][CG4][LB5][LB6] (12) firms. The interim review consists of a meeting with management to obtain an update on any changes since the previous visit, follow-up on any matters identified and a review of selected whole firm procedures, as required based upon risk.

Before the end of the visits the reviewers discussed their closing record with each of 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 3 reviews saw all firms visited cooperate with the review process and submit responses to the comments.

A finding was reported for one firm and one condition was imposed which was addressed by the firm. Where applicable, firms were also provided with constructive recommendations related to other matters noted during the 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 Act 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).

2023

The first year of cycle 4 will proceed in 2023 and will review against International Standard on Quality Management 1 and 2 which became effective after 15 December 2022. The Accountants (Quality Assurance) (Amendment) Regulations 2023 became effective 1 February 2023 and adopt these standards.