

# PRACTITIONER SUPPLEMENT

## SUCCESSOR AUDITOR ACCESS TO PREDECESSOR AUDITOR WORK PAPERS

The purpose of this supplement is to provide audit firms with guidance when there is a change of auditor.

Supplements merely seek to assist members of the accounting profession in the Cayman Islands. They are not intended to be prescriptive but rather to indicate what would generally be regarded by the accounting profession in the Cayman Islands as best practice. They should not be relied upon in respect of points of law.

### INTRODUCTION

In the event of a change in audit firms, CIIPA recommends all public practice firms exercise professional courtesy and accommodate Successor Audit Firm's requests for access to that Predecessor Audit Firm's audit working papers from the previous audit.

### PRACTICE

The purpose of the review of Predecessor audit work papers is to obtain information about the Company and the prior year audit results to assist the successor audit firm in planning their audit. For that purpose only and consistent with applicable auditing standards Successor Auditors should provide Predecessor Auditors with access to their working paper documentation.

Practically, Predecessor Auditor assistance to the Successor Auditor will usually involve providing:

1. A verbal overview or outline by the engagement partner of the audit approach for each financial statement component,
2. Copy of the summary of unadjusted errors, and
3. Copies of schedules summarising all final closing balances.

Predecessor Auditors should agree to grant Successor Auditors access to their audit work papers provided the following conditions are met:

1. All disputes, including those over fees, should be fully resolved prior to Successor Auditor's acceptance of the client. The Predecessor Auditor may withhold access to their work papers and limit communications with Successor Auditors in the event of pending or threatened litigation. Successor Auditors should consider such disputes in its acceptance of the engagement.
2. The Predecessor Auditor obtains written authorisation from the client.
3. The Successor Auditor executes an acknowledgement letter as required and provided by the Predecessor Auditor in the standard format. (See below)

Date

Mr./Ms. Audit Partner

Successor Audit Firm

P. O. Box 999GT

Grand Cayman

Dear Mr./Ms. Audit Partner

We have previously audited, in accordance with generally accepted auditing standards, the December 31, 201X financial statements of (name of former client) (the Company) and rendered our report thereon dated \_\_\_\_\_. We have not performed any audit procedures subsequent to the report date. In connection with your December 31, 201X audit of the Company, you have requested that we provide you with an outline of our audit plan and its execution as evidenced in our working papers prepared in connection with our audit referred to above (the "Outline"). The Company has authorised our firm to provide you with such an Outline and to provide you with copies of certain of our working papers.

Our audit and the related working papers were not planned or conducted in contemplation of providing the Outline. Therefore, items of possible interest to you may not have been specifically addressed. Our use of professional judgement and the assessment of materiality for the purpose of our audit mean that matters may have existed that would have been assessed differently by you. We make no representation as to the sufficiency or appropriateness of the information in our working papers for your purposes.

We understand that the purpose of your enquiries is to obtain information about the Company and our audit results to assist you in planning your audit. For that purpose only, and consistent with [insert standard applicable e.g. International Standard on Auditing No. 510, Initial Engagements – Opening Balances], we will provide you with the Outline detailed in the first paragraph.

Because your review is undertaken solely for the purpose described above and will not entail a review of all of our working papers, you agree that: (1) the information obtained from the review will not be used by you for any other purpose, (2) you will not comment, orally or in writing, to anyone as a result of the Outline provided as to whether our audit was performed in accordance with generally accepted auditing standards, (3) you will not provide expert testimony or litigation support services or otherwise accept an engagement to comment on issues relating to the quality of our audits, and (4) you will not use the audit procedures or results thereof as detailed in the Outline as evidential matter in rendering your opinion on the financial statements of the Company, except as contemplated in [Insert standard e.g. International Standard on Auditing No. 510].

Upon request, we will provide copies of those working papers that provide support for the financial statement components subject to our audit procedures (lead schedules or their equivalent).

You agree to subject any such copies or information otherwise derived from our working papers or the Outline to your normal policy for retention of working papers and protection of confidential client information.

*Furthermore, in the event of a third-party request for access to your working papers prepared in connection with your audits of the Company, you agree to obtain our permission before voluntarily allowing any such access to our working papers or information otherwise derived therefrom, and to obtain on our behalf any releases that you obtain from such third party. You agree to advise us promptly and provide us a copy of any subpoena, summons, or other court order for access to your working papers that include copies of our working papers or information otherwise provided to you in the Outline.*

*Please confirm your agreement with the foregoing by signing and dating a copy of this letter and returning it to us.*

*PREDECESSOR AUDIT FIRM By: Mr./Ms. Audit Partner*

*Accepted:*

*SUCCESSOR AUDIT FIRM By: Mr./Ms. Audit Partner*

*Date: \_\_\_\_\_*