



QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

SUMMARY REPORT

2015

Background

All CISPA licensed practitioners ("practitioner members") are subject to review by means of the QARS. The reviews encompass the practitioner member firm's quality control procedures and all assurance engagements and assess the firm's compliance with ISQC1. The focus for cycle 1 was audits.

The Institute of Chartered Accountants in England and Wales ("ICAEW") is the Review Body appointed to undertake the QARS monitoring visits, determine the review methodology and issue reports designed to assist firms in rectifying deficiencies and making improvements to the standard of their audit work.

The first reviews took place in 2013 and as for 2014 and 2015 are a transitional review whereby no referrals to investigation on the basis of quality control-related findings will be made, unless Public Accountants Law Section 18 grounds are discovered and it would be against the public interest not to refer to investigation.

Process

At the time of selecting members for review there were 42 firms and 82 practitioner members. The selection was made to ensure that the profile



of the entire profession was represented. Thus in year three, the selection comprised one large network firm, two mid-tier firms, two small firms and a small firm that represents other firms.

All firms were initially notified of their selection in September 2014 for a November 2014 visit but then the schedule was amended and the visits took place in May 2015. All confirmed the proposed dates for the visits within the prescribed time.

Prior to the visits a number of firms submitted enquiries to CISPA 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 6-20 May entailing 21 onsite visit days. During that time three reviewers examined the firms' whole firm procedures along with 24 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

The third year of cycle 1 reviews has produced satisfactory results. All firms visited fully cooperated with the review process and submitted responses to the issues raised. Each firm was provided with constructive recommendations which CISPA has confirmed should be implemented prior to the next visit in the second cycle.

There was one finding that required referral to investigation and none that required a direction that a second review must be brought forward from the standard three year cycle.



In one case it was necessary to clarify the scope of the process since two firms that were selected had not yet conducted any audits nor been engaged by any clients. It was confirmed that if a Practitioner Member is to sign on behalf of a new firm that does not yet have clients, CISPA's policy is to include the firm for a limited scope visit to understand the systems and processes they will be using on the audits. This ensures that quality control systems are in place prior to client engagements and also enables CISPA to schedule future visits.

The approval of audit firms by the Cayman Islands Monetary Authority ("CIMA"), although related, is independent of CISPA's Quality Assurance process, since a licence may be granted to an individual according to the Public Accountants Law and yet no approval from CIMA may have been obtained or even required. The fact that there are no audits undertaken during the review period is relevant to the scope of the review but not the need for a review.

Quality Assurance Regulations

In May 2015 CISPA consulted with members and stakeholders regarding draft Quality Assurance Regulations to formalise the quality assurance review process and once revisions to the Public Accountants Law and subsequently the Quality Assurance Regulations enacted, CISPA will host an information session for members and stakeholders, and will meet individually with licensed practitioners and their firms to ensure their understanding and expectation of obligations and authority of the provisions are clear.