

QARS Briefing

19th January 2018



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Institute of
Professional
Accountants

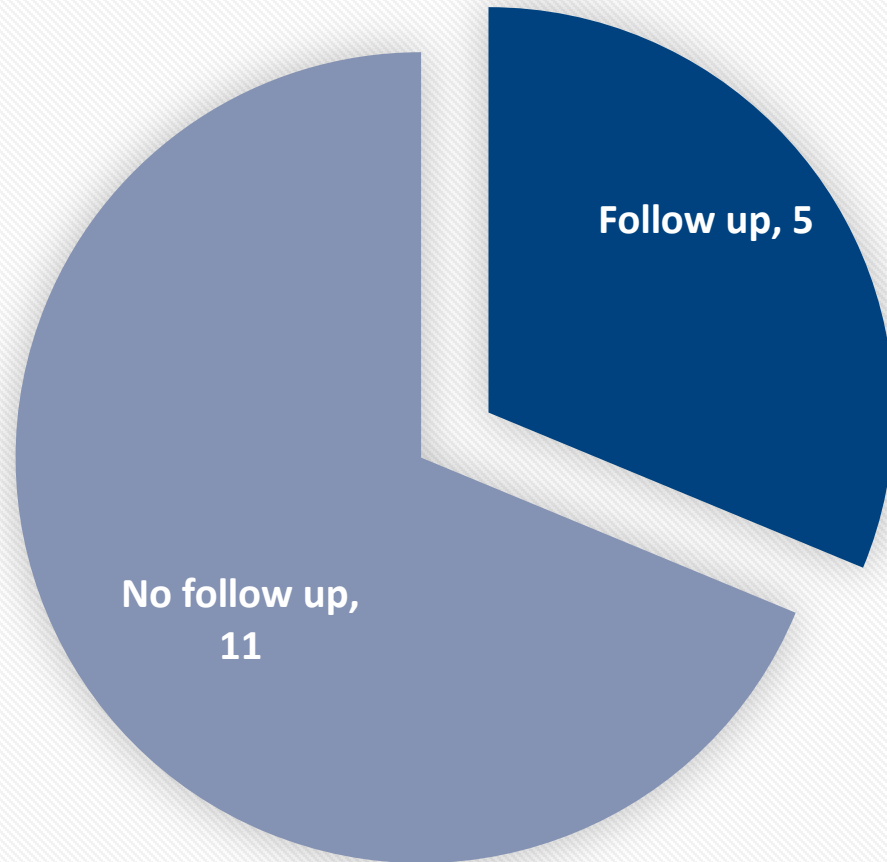
Themes and Specific Findings

QARS Stakeholder Report 2017

Context

- Sixteen firms reviewed (1/3 total)
- 39 audit files
- Cross section of firms

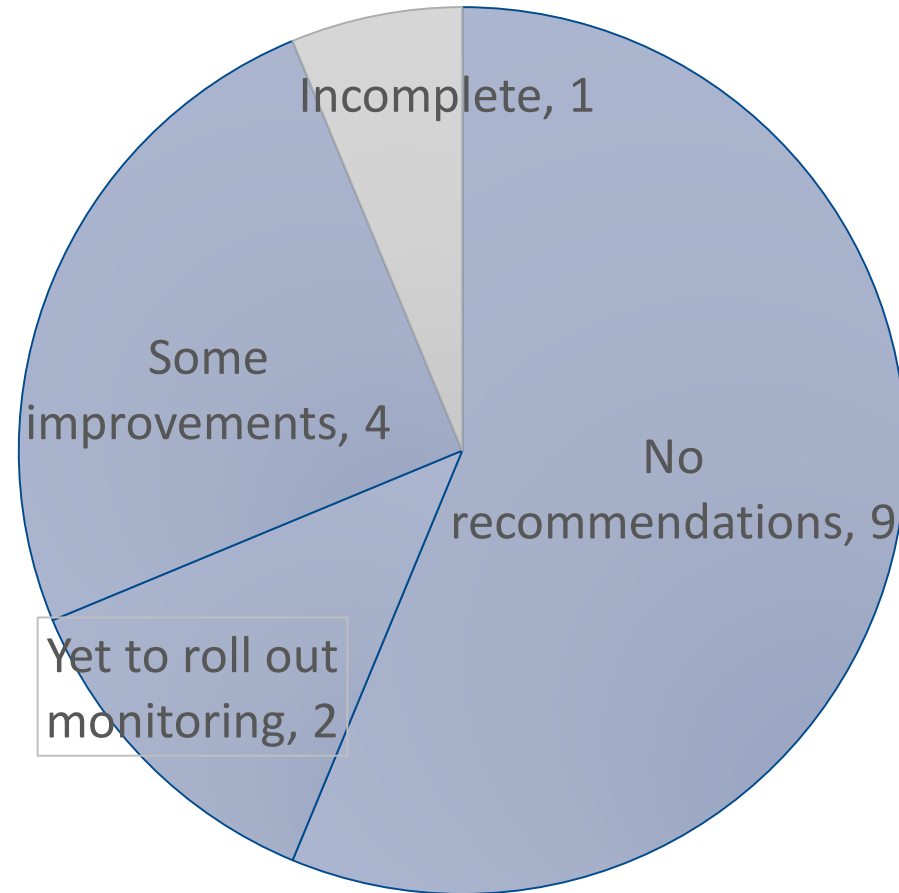
Overview



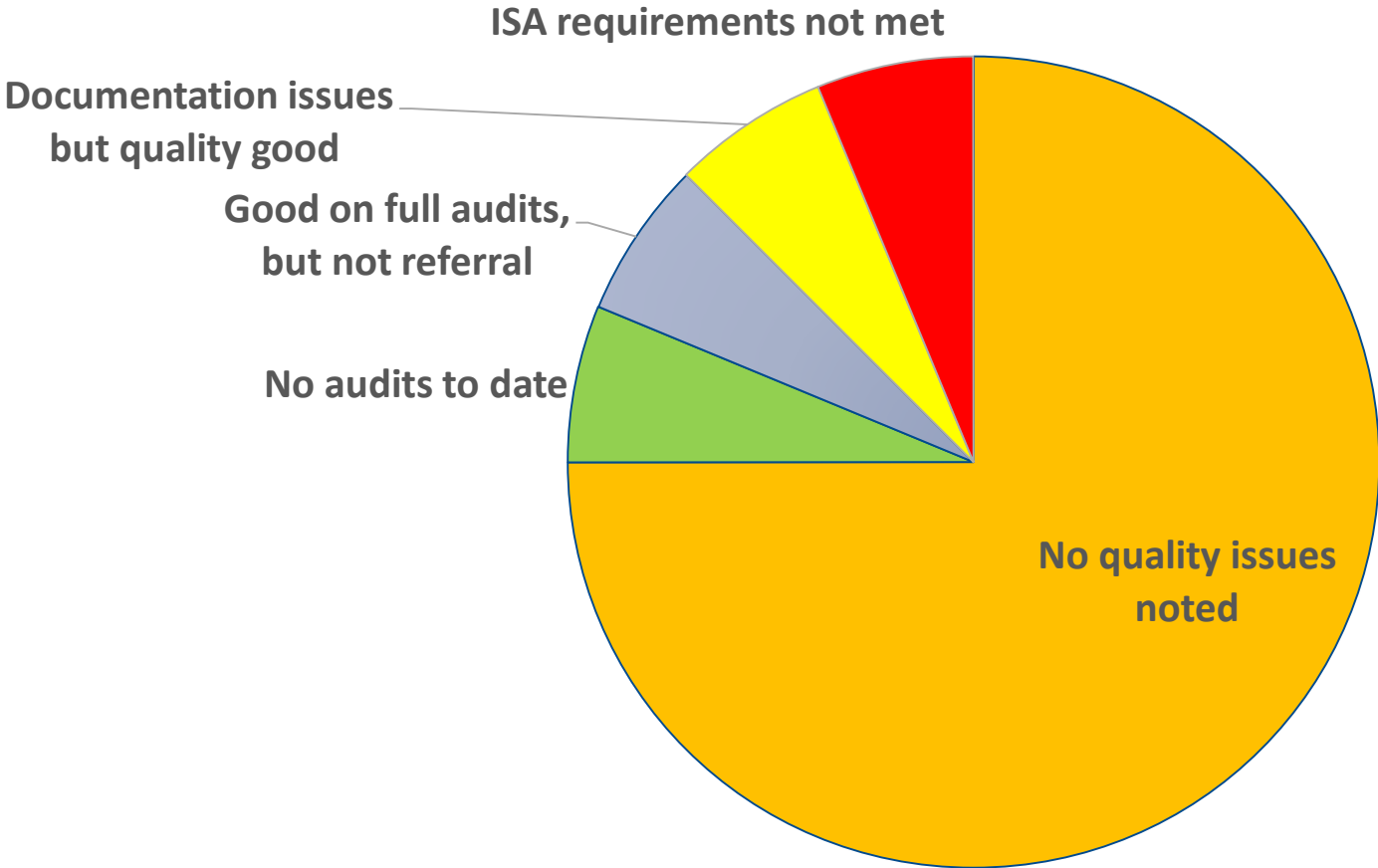
Categories

- Whole firm procedures
- Audit quality
 - Full audits and Referral audits
 - Risk based approach to file selection
 - Same standards apply to all audits

Overview- Whole Firm procedures



Overview-Audit Quality



Operational

Moving date of visits from May

2018 QARS 24 Sept-14 Oct

PreVisit Information and Declaration Form

Client Name or Internal Reference	Cayman Engagement Practitioner	Senior Manager (optional)	Number of Audit Reports	Revenue OR audit hours	Higher Risk Rating (Y/N)?	PIE listed / PIE not listed / Non PIE	PCAOB engagement (if issuer or substantial role)
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Client Industry	Auditing Standards	Accounting Standards	Year End (most recently archived) or N/A	Group Audit?	Component Audit?	Referral audit?	Location of any Referring Firm / Other Auditors
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Helpsheet Guide to Visits

What changed?

- Assurance engagements
- Date
- Statement of Principle
- Pre Visit Information and Declaration Form
- Access
- Failure to respond

Access to Working Papers ISA 230

Beyond ISA220

Survey for response by 31 January 2018

Timing and external relations

Prepare to address

May 2016 Briefing

Must provide access; if might not be possible
need to have more on Cayman file.



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Referral engagements – documentation

Para 8 - The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:



- (a) The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements;
- (b) The results of the audit procedures performed, and the audit evidence obtained; and
- (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

Referral engagements – documentation



Para 9 - In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:

- (a) The identifying characteristics of the specific items or matters tested;
- (b) Who performed the audit work and the date such work was completed; and
- (c) Who reviewed the audit work performed and the date and extent of such review.

Referral engagements – ISA 230

- What does this mean for referral engagements?
 - Requirements of ISA 230 remain – must comply
 - How this is done can vary
 - Integrated / separate audit file?
 - Stand alone Cayman file?
 - Integrate with files of firm / office conducting detailed work?
 - Clear evidence of engagement partner involvement?
 - Access to / interaction with detailed files?
 - Location of detailed files?
- For sample selected ICAEW reviewer access required to all elements of the audit file (including detailed work undertaken by referring firm).

Referral engagements - summary

- Engagement partner must take overall responsibility for the audit
- Set up procedures to ensure the engagement partner is sufficiently involved in the audit
- Decide how best to meet audit documentation requirements
- Ensure appropriate access available for monitoring



Auditing standards

NB SOP Equivalent Auditing Standards

Demonstrate compliance with ISAs

Check compliance with ISAs by referring office

Engagement Partner Involvement ISA220

Engagement performance – direction, supervision and performance responsibilities

Involvement in planning

- Is the extent of engagement partner involvement sufficient?
- Planning documentation, key risks, materiality and planned audit approach
- Documented approval to performing firm before the audit starts



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Monitoring

Cold File reviews

New firms

Consider reliance and controls

- Request detailed findings from monitoring reviews and include in interoffice engagements
- Monitoring reviews for referring firms

Monitoring

Visits will review a sample of relevant whole-firm records

e.g:

Training materials / CPD

Declarations

Appraisals

Annual monitoring – checklists / reports / action plans /
communications



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e.g. Discussion around Fraud ISA 220

Timing: Observations from Cycle 1 seen in Cycle 2

- Lack of timely involvement – need to educate referring firms to engage at the right time
- Documenting extent of involvement (including engagement team / fraud discussions etc.) including Cayman involvement in approving the planning process and engagement team fraud discussions.

e.g. Discussion around Fraud ISA 220

“Document review of planning and fieldwork at the same time close to date of audit report...

No evidence of partner involvement in areas such as client acceptance and continuance and fraud discussion....

Therefore not demonstrated involvement or control of the audit process”.



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e.g. Discussion around Fraud ISA 220

Greater involvement of EP expected if heightened risk of fraud

Case by case:

*“The planning documentation contained all the necessary requirements but it is unclear how you as engagement partner, were able to fulfill your role under the ISAs to direct and supervise audit work as you were not involved at the planning stage, **You did not attend the audit team briefing** or fraud discussions.....”*



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Engagement Letters

Reference to Practitioner Member
Accountants Law sections 11 and 12

Documentation

File Organisation

EG 1 Lack of ISA audit programs and checklists, excel based documentation

Case by case but need evidence on file

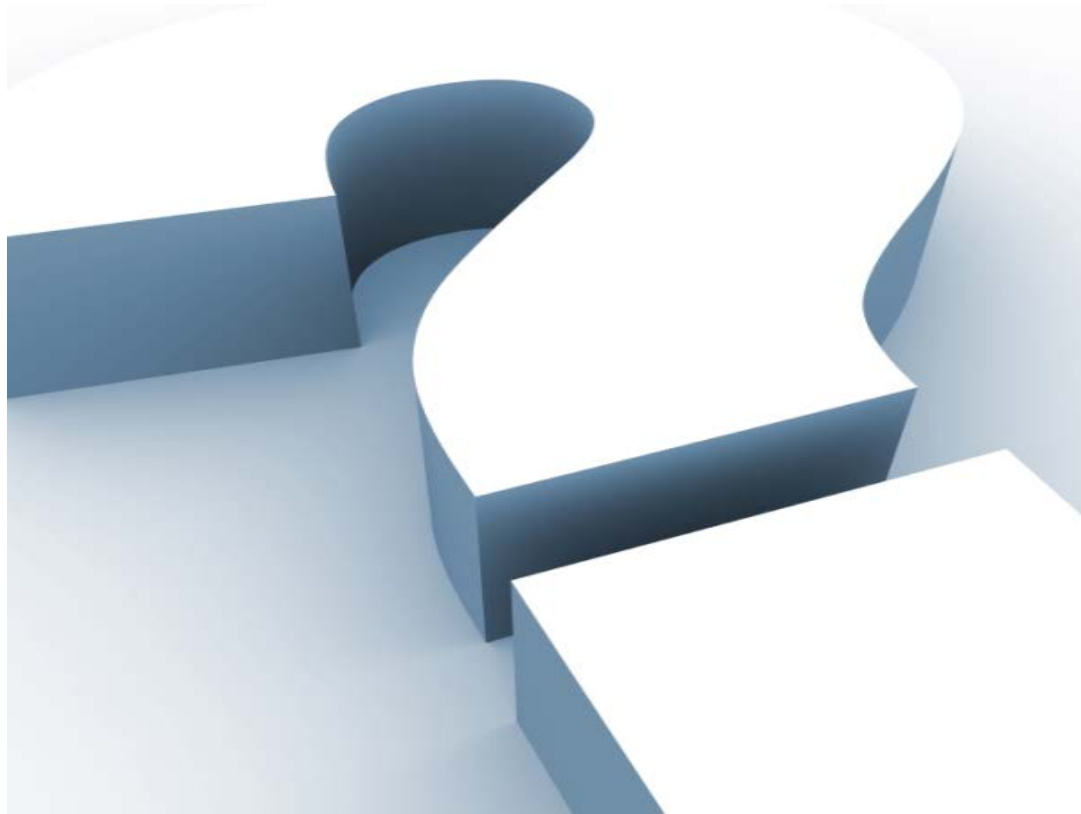
Process

Onsite discussions

Closing record and response

Related Processes

- Licence renewals
- CPD Monitoring
- AML



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