

QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT 2020-21

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 in 2017-2019 with newly prescribed auditing and quality control standards and clear powers of review, discipline and enforcement pursuant to the Accountants Act (2020 Revision) and the Accountants (Quality Assurance) Regulations (2020 Revision).

2020 marked the start of the third cycle of reviews but the scheduling was impacted by the restrictions imposed by the COVID-19 pandemic, in particular the inability of the reviewers to travel to, and conduct reviews in the Cayman Islands. Consequently, the reviews were conducted remotely in November 2020 and May 2021.

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 for cycles three and four.

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)

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

Outreach and training for firms has been provided to ensure firms are prepared for the new standard and CIIPA's monitoring based on the new standards, beginning 2023.

Process

At the time of selecting members 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 2020-21 the selection comprised one large network firm, two mid-tier firms, and thirteen small firms. There were no revisits in 2020-2021.

All firms were initially notified of their selection in June 2020, for a visit in September or October 2020. However, the advent of the COVID-19 Pandemic led to a decision in late September to conduct the visits remotely. This led to rescheduling and deferral of two firms since conducting the visits remotely was anticipated to require more reviewer time and required exclusive periods for each firm to compensate for the lack of physical presence during the visit. Consequently, fourteen (14) firms were visited remotely in November, and this was confirmed to them at the end of September. Two (2) firms were visited remotely in May 2021 which they were notified of in early October 2020.

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 meeting by telephone to prepare for the visits.

The visits to the first fourteen (14) firms took place remotely during the period 16 November to the 4 December 2020. The visits to the remaining two (2) firms took place remotely during the period 10 to 18 May 2021. During that time four reviewers examined sixteen (16) firms' systems of quality control over assurance engagements along with thirty-two (32) assurance engagement files. (In previous years the number of onsite visit days had been cited but is not a useful or comparable indicator in the case of remote visits.)

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 first year of cycle 3 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 five firms and eleven conditions were imposed. 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 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).

2020-2022

The second year of cycle 3 will proceed in 2021.