

# QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

## STAKEHOLDER REPORT 2021-22

### 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.

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. As with the first year of cycle 3, the second year to which this report relates 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, some reviews were conducted remotely in November 2021 and two firms were reviewed in the Cayman Islands in May 2022.

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 require 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, beginning 2023.

### Process

At the time of selecting members for review there were forty-five (45) registered public practice firms. The selection of firms was made to ensure that the profile of the entire profession was represented. Thus in 2021-22 the selection comprised two large network firms, two mid-tier firms, and five small firms. There were no revisits in 2021-2022 but one firm was subjected to a shorter cycle of 2 years.

All firms were initially notified of their selection in July 2021, for a visit in November 2021. However, the continued COVID-19 Pandemic led to a decision in late September to conduct some of 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, seven (7) firms were visited remotely in November, and this was confirmed to them at the end of September. Two (2) firms were visited in person in May 2021 which they were notified of at the end of September 2021.

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 online to prepare for the visits.

The visits to the first seven (7) firms took place remotely during the period 8 November to the 24 November 2021. The visits to the remaining two (2) firms were conducted on site during the period 10 to 20 May 2022. During that time four reviewers examined nine (9) firms' systems of quality control over assurance engagements along with twenty-eight (28) 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 each of the firms and this was then provided to the firms with the opportunity to respond within 15 days.

### **Findings and Conditions**

The second year of cycle 3 reviews saw all firms visited cooperate with the review process and submit responses to the comments.

Findings were reported for two firms and consequently thirteen conditions were imposed. One of the firms will receive a revisit to ensure compliance with two of the conditions imposed on it. All other conditions were addressed by the firms although both firms were reminded about the need to address the requirements of ISQM1&2 going forward.

Where applicable, firms were also provided with constructive recommendations related to other matters raised.

### **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).

### **2022**

The third year of cycle 3 proceeded in quarter 4 of 2022.