
QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT 2024

Background

All CIIPA registered firms are subject to periodic monitoring visits by means of the Quality Assurance Review System (QARS). The reviews encompass the firm's system of quality management and a selection of assurance engagements from firms' portfolios of such engagements to assess the firm's compliance with professional standards and related quality management standards in connection with the issuance of assurance reports.

Professional standards, quality management standards, powers of review, discipline and enforcement are set out in the Accountants Act (2024 Revision) as amended and the Accountants (Quality Assurance) Regulations (2024 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. This report pertains to 2024, which was the second year of Cycle 4 (2023-2025).

Highlights from 2024:

- A total of 12 firms were reviewed
- Out of 12 firms reviewed 2 were subject to findings and conditions
- 9 firms were subject to an interim review

Themes 2024:

- Minor documentation weakness
- Overall acceptable approach to the implementation of ISQM1

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 IAASB approved the new International Standards on Quality Management (ISQM 1&2) which required firms to have their new systems of Quality Management designed and implemented by December 15, 2022.

Outreach and training for firms was provided during 2022 to ensure firms were prepared for the new standards and CIIPA’s monitoring visit based on the new standards. Cycle 4 thereby entails review of firms’ compliance with the new ISQM’s.

Process

At the time of selecting firms for review there were forty-one (41) registered public practice firms. The selection of firms was designed to ensure the profile of the entire profession was represented. Accordingly, in 2024 the selection comprised twelve firms; two large network firms; one mid-tier network firms, and nine small firms.

In addition, nine small firms that were subject to an Interim Review. An interim review consists of a meeting with management to obtain an update on any changes from the last full review, follow up on any matters identified at the last visit and a review of selected whole firm procedures, as required based upon risk. An interim review does not include a review of completed audits.

Additionally, a revisit was conducted in July 2024 involving five firms. The revisit was undertaken due to the non-adoption of ISQM 1 and concerns regarding firm resourcing.

All firms were initially notified of their selection in July 2024, for a monitoring visit in November 2024.

Prior to the visits all selected firms were contacted by the Review Body and participated in a virtual meeting to prepare for the visits.

The visits took place onsite during the period 12 November to the 21 November 2024. During that time five reviewers examined twelve (12) firms' systems of quality control over assurance engagements along with twenty-eight (28) assurance engagement files including one (1) PIE.

The July re-visits took place onsite during the period 9 July to the 15 July 2024. During that time two reviewers examined the ISQM1 procedures for 5 firms.

Before the end of the visits the reviewers discussed their closing record with each of the firms which was provided to the firms giving them an opportunity to respond within 15 days.

Findings and Conditions

The second year of Cycle 4 reviews noted that all firms visited cooperated with the review process and submitted responses to the comments within the allotted time.

Findings were identified for one firm, primarily concerning the lack of implementation of a System of Quality Management in accordance with ISQM 1 by 15 December 2022. As a result, four conditions were imposed, including the requirement for the firm to establish and implement its own system in compliance with the ISQM 1 standard issued by the IAASB no later than 15 December 2025, and to submit documentation outlining the timing and extent of procedures performed to demonstrate compliance with the requirements of ISQM 1 no later than 15 January 2026. No other findings were reported for the other ten firms; however, where applicable, they were provided with constructive recommendations addressing other matters identified during the reviews.

Co-operation

CIIPA published its Cayman Code of Ethics in November 2024. The Code is based on the International Code of Ethics for Professional Accountants (including International Independence Standards) (the “International Ethics Code”) established by the International Ethics Standards Board for Accountants (“IESBA”). The Accountants (Quality Assurance) Regulations (2024 Revision) require public practice firms, practitioner members and any designated professional providing assurance services to comply with the International Ethics Standards Board for Accountants Code of Ethics and standards established by the Institute, including the Cayman Code of Ethics. All registered public practice firms and practitioner members are required to comply with the Cayman Code of Ethics.

2024

The third year of Cycle 4 will take place in 2025 and, as in the first year of the cycle, reviews will be conducted against the requirements of International Standards on Quality Management 1 and 2.