

QUALITY ASSURANCE REVIEW SYSTEM ("QARS")

STAKEHOLDER REPORT 2023

Background

All CIIPA registered firms are subject to a periodic review by means of the 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 auditing standards and quality management standards.

Auditing and quality management 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. This report pertains to 2023, which was the first year of Cycle 4 (2023-2025).

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 required 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. Cycle 4 thereby entails review of firms' compliance with the new standards.

Process

At the time of selecting firms for review there were forty-one (41) registered public practice firms. The selection of firms was made to ensure that the profile of the entire profession was represented. Thus in 2023 the selection comprised twelve firms; one large network firm; one large independent firm, four mid-tier network firms; and six small firms. In addition, there was one revisit in 2023.

All firms were initially notified of their selection in July 2023, for a visit in November 2023.

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 virtual meeting to prepare for the visits.

The visits to the firms took place onsite during the period 1 November to the 17 November 2023. During that time five reviewers examined thirteen (13) firms' systems of quality control over assurance engagements along with thirty-four (34) assurance engagement files.

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 first year of cycle 4 reviews saw all firms visited cooperate with the review process and submit responses to the comments.

Significant findings were reported for five firms that were all related and represented by the same licensed practitioner that amongst other things had failed to implement a system of quality management in accordance with the new standards and certain resource concerns. Various conditions were imposed including a revisit to the firms in July 2024. At the time of this report the reviews are ongoing. There were no findings for the other eight firms and where applicable, firms were provided with constructive recommendations related to other matters noted during the reviews.

Co-operation

CIIPA executed 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).

2024

The second year of cycle 4 will proceed in 2024 and as for year one will review against International Standard on Quality Management 1 and 2.