



## Auditors Oversight Authority

CAYMAN ISLANDS

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May 13, 2013

The International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6<sup>th</sup> Floor.  
New York, NY 10017.  
USA

Dear Sirs,

As Chairman of the Board of Directors of the Auditors Oversight Authority of the Cayman Islands I am pleased to submit our comments on the IAASB Consultative Paper "A Framework for Audit Quality". The Auditors Oversight Authority is an independent auditor regulatory body which has responsibility for oversight of audit firms in the Cayman Islands who audit market traded companies, as defined under The Auditors Oversight Law, 2011. Our comments follow below.

Comments by the Cayman Islands Auditors Oversight Authority on IAASB Consultation Paper "A Framework for Audit Quality"

We welcome the opportunity to comment on this important document.

Specifically you have asked for comments on four sets of consultation questions and we are pleased to do so.

The first set of questions is "Does the Framework cover all of the areas audit quality that you would expect? If not, what else should be included?" We find the document to be comprehensive in its identification of expected areas of audit quality and we have no suggestions as to how the discussion might be extended except possibly a more in depth discussion of the pros and cons of public reporting of the results of audit regulator findings at a audit firm level (see comments in the discussion on the third set of questions).

The second set of questions is "Does the Framework reflect the appropriate balance in responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which other areas of the Framework should be revised and how?" We find the document generally reflects an appropriate balance in the responsibility for audit quality among the various stakeholders. We were surprised by the paucity of discussion on the importance of the role of an Engagement Quality Control Reviewer (EQCR) in achieving audit quality. That is an area we believe could have been expanded upon in the document and is an area which could have usefully been included as an Area to Explore especially in light of the important role an EQCR plays with regard to audit quality.

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The third set of questions is “How do you intend to use the Framework? Are there changes that need to be made to the form or content of the Framework to maximize its value to you?” As an audit regulator we intend to keep a watching brief on developments in the area of audit quality. Of particular interest to us is the on-going dichotomy concerning public communications of the results of audit firm inspections. For example, should the overall results of an audit firm inspection be communicated to the audit firm privately only? Or should there be some sort of public communication of the results of an audit firm inspection? Further should the results of an audit firm inspection be shared with the audit committees of companies whose audits have been inspected or even shared with audit committees of all audit clients irrespective of whether the individual audit has been inspected? The issue of how far to go in the disclosure of the results of an audit firm’s inspection is an area which could have usefully been included as an Area to Explore.

The fourth set of questions is “What are your views on the suggested Areas to Explore? Which, if any, should be given priority and by whom? Are there additional Areas to Explore?” It was not clear to us the basis on which the Areas to Explore were determined. They do not seem to have been identified on the basis of the Stakeholder survey as set out in Appendix 2, except, perhaps, tangentially. In our opinion, there are a number of areas which to us would be worthy candidates for further exploration at the expense of, for example, Area to Explore 1, 2, 7 and 9. Area to Explore 1, 2 and 9 seem unlikely to lead to anything substantive in terms of audit quality improvements whilst Area to Explore 7 seems to be well on the way at the standards level. Two items referred to above (the role of the EQCR and public reporting of audit regulator inspection reports) would seem to us to be worthy of exploration. Areas worthy of further exploration in the document, in our opinion, are the issue of relying on the work of internal audit as part of the audit process and the role of audit standard setters in the improvement of audit quality.

Should you have any questions regarding our comments please do not hesitate to contact me.

Yours faithfully,

**Michael Austin, M.B.E., F.C.A.**

**Chairman**

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