



# **Auditors Oversight Authority**

CAYMAN ISLANDS

Annual Report  
for the  
Year Ended 30 June 2016

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**Auditors Oversight Authority**  
**Annual Report**  
**for the year ended 30 June 2016**

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**Auditors Oversight Authority  
Managing Director's Report  
for the year ended 30 June 2016**

I am pleased to present my fourth report (and last report) as Managing Director of the Auditors Oversight Authority (AOA) and to report on our progress during the 2016 fiscal year.

AOA completed a second round of inspections (of two firms) in May 2016. The inspections went smoothly thanks to the assistance and co-operation of the firms (and the assistance of the Institute of Chartered Accountants in England & Wales) and no requirements, restrictions or sanctions were imposed on the firms.

The process for applying for equivalence status to the relevant body in the European Commission is well underway and AOA has also applied for equivalence status to the Financial Services Agency/CPAAOB in Japan. Once equivalence status is achieved I expect our inspection activities will increase substantially during fiscal 2017.

AOA continues to be a full-fledged member of the International Forum of Independent Audit Regulators (IFIAR) and attend their annual Plenary Meeting and Enforcement Workshop as well as being a member of their Small Regulators Working Group. AOA has also applied to be a signatory to IFIAR's Multilateral Memorandum of Understanding document which will facilitate the entering into of memorandum of understandings with other IFIAR member audit regulators around the world (of which as of 30 June 2016 fifty-one countries are members of IFIAR).

As mentioned above this is my last report as Managing Director of AOA. AOA is in the process of engaging a person to replace me as Managing Director of AOA as my term of office has come to an end. I have enjoyed being involved with AOA and offer my successor best wishes in the days, months and years ahead.

Donald Cockburn

Managing Director

30 August 2016

**Auditors Oversight Authority  
Annual Board Report  
for the year ended 30 June 2016**

Significant activities during the period 1 July 2015 to 30 June 2016 were as follows:

- The completion of AOA's second round of inspections of audit firms registered with AOA. The inspection of two audit firms was conducted during May 2016. The inspection was facilitated by the full cooperation of the audit firms and the assistance of the Institute of Chartered Accountants in England & Wales and no requirements, restrictions or sanctions were required to be placed on either firm;
- A second significant event was the application to the Financial Services Agency/ Certified Public Accountants Auditors Oversight Board in Japan in connection with gaining equivalency status to allow AOA to enter into an Exchange of Letters with the FSA/CPAFOB. AOA expects this will lead to significantly increased inspection activity on the part of AOA. AOA had previously applied to the European Commission (EC) for equivalency status. An EC decision dated 25 July 2016 has extended our transitional status pending the collection by the EC of additional not yet specified information from us;
- A third significant event was the searching for a new Managing Director and identifying a potential candidate to replace the incumbent Managing Director whose term of office has now expired. Hopefully the new Managing Director will be in place shortly;
- A fourth significant event was AOA's application to be a signatory to the International Forum of Independent Audit Regulators (IFIAR) Multilateral Memorandum of Understanding which will facilitate AOA entering into one or more Memoranda of Understanding with other audit regulatory bodies around the world. Membership in IFIAR is comprised, as of 30 June 2016, of audit regulators from 51 countries, including Cayman Islands; and
- Finally the Managing Director, on behalf of AOA, attended at the IFIAR annual Plenary Meeting in April 2016 as well as attending at the annual IFIAR Enforcement Workshop which is open to all IFIAR members following the Plenary Meeting. AOA is also a member of IFIAR's Small Regulator Working Group.

## **Auditors Oversight Authority Board of Directors**

### **Board Composition**

The AOA Board comprises:

- The AOA's Managing Director (ex officio)
- The Auditor General of the Cayman Islands
- The Financial Secretary of the Cayman Islands
- 3 directors appointed by the Cayman Islands Government, to be retired public accountants and one of whom is not resident in the Cayman Islands.

### **Board Members**

#### **Chairman: Michael Austin, MBE, FCA**

Michael Austin is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate Member of The Chartered Institute of Taxation, a Member of the Society of Trust and Estate Practitioners, a Member of the Cayman Islands Society of Professional Accountants, a Member of the Cayman Islands Institute of Directors, and a Notary Public of the Cayman Islands.

He served as the Managing Partner of the Cayman Islands office of KPMG Peat Marwick for 23 years. Since retiring in July 1992, Mr. Austin has been a consultant and currently serves as Non-Executive Director on several company boards, including those of a number of structured investment vehicles, mutual funds, trust and insurance companies. He served as a Director of the Cayman Islands Monetary Authority from January 1997 and was appointed Chairman of the Board in January 2003, a position he held until his retirement on 31 July 31 2004. He has also served on a variety of other Government committees and Government related boards, including the Cayman Islands Agricultural and Industrial Development Board, as Chairman; the Stock Exchange Committee; and the Government/Private Sector Consultative Committee. In 1990 Mr. Austin was awarded an MBE by Her Majesty the Queen in recognition of services to the public and business community.

#### **Deputy Chairman: Paul Anderton, BA(Hons), FCA**

Paul Anderton is a Fellow of the Institute of Chartered Accountants in England and Wales. He had a career with Pricewaterhouse Coopers in Cayman from 1983 to June 2010, serving as audit engagement leader for a wide variety of clients in the financial services industry (including banks, trust companies, hedge funds, special purpose vehicles, captive insurance and reinsurance companies) as well as several non-financial services entities. He was the firm's Assurance Services leader and Risk Management Partner and is a past president of Cayman Islands Society of Professional Accountants.

## Managing Director: Donald Cockburn, FCPA, FCA

Donald (Don) Cockburn served as Vice President of Canadian Public Accountability Board (CPAB) from 2004 to 2010 where he led numerous inspections of accounting firms of various sizes and served on CPAB's Management Committee. He was also a Member of the Canadian Institute of Chartered Accountants (CICA) Auditing Standards Committee from 1982 to 1988, serving as Chair of that Committee from 1987 to 1988. The Auditing Standards Committee (now the Auditing and Assurance Standards Committee) is charged with setting auditing and assurance standards in Canada. He acted as a consultant to Ernst & Young Canada, Ernst & Young International and the CICA auditing standards department (now the Auditing and Assurance Standards department) from 1997 to 2003. Prior to that, he was with Ernst & Young Canada as a client handling partner and as a partner in the National Audit Office for 29 years in total.

Mr. Cockburn was the Editor of the Audit column (now the Assurance column) for the CA Magazine (now the CPA Magazine) from 1984 to 1996, personally authoring numerous articles on auditing, and taught auditing courses both at the undergraduate and graduate levels at the School of Accountancy (now the School of Accounting and Finance), University of Waterloo, Canada.

Mr. Cockburn served as a consultant to the Auditors Oversight Authority from May 2012 until August 2013 when he was appointed its Managing Director.

## Director: Kenneth Jefferson, FCA, JP

Kenneth Jefferson was appointed Financial Secretary on 1 November 2004. As Financial Secretary, he is the chief policy advisor to the Premier and Minister of Finance and has overall responsibility for all aspects of the government's regulatory, fiscal and budget management operations.

Prior to joining the Civil Service, Mr. Jefferson worked in public accounting in both the Cayman Islands and London, England offices of Price Waterhouse (now PricewaterhouseCoopers) and Ernst & Young. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

## Director: Alister Mason, PhD, FCPA, FCA, FCMA

Alister Mason is a consultant in Toronto who has worked with the Ontario Securities Commission, the Canadian Institute of Chartered Accountants (CICA) and the International Federation of Accountants. Previously, he was with Deloitte & Touche and its predecessor firms for over thirty years, which included periods as an audit partner in the Toronto Office and in the Canadian firm's National Office. He then served as Director of the School of Accounting and Finance at the University of Waterloo (the largest such School in Canada), followed by four years with the Canadian Public Accountability Board (Canada's independent audit regulator).

Mr. Mason has been active in professional bodies and the community. He is a Past President of the Canadian Academic Accounting Association. The CICA commissioned him to write comprehensive studies on *Related Party Transactions* and *Professional Judgment in Financial Reporting*; he has also written several other studies and dozens of articles. His doctoral dissertation, from the University of Lancaster in the UK, was published under the title *The Development of International Financial Reporting Standards*. Also, he has made presentations at a training conference of the International Forum of Independent Audit Regulators.

#### Director: Alastair Swarbrick, MA (Hons),CPFA (to October 2015)

Alastair Swarbrick was the Auditor General of the Cayman Islands and has overall responsibility for the management and work of the Office of the Auditor General. He has over 20 years experience in public auditing across a variety of sectors and working for a number of organizations including the UK National Audit Office in London and Audit Scotland, where he was an Assistant Director of Audit overseeing a portfolio of audits and leading the Business Improvement Unit which was responsible for developing and managing projects to improve the way that Audit Scotland delivered its work. He is a member of the Chartered Institute of Public Finance and Accountancy.

#### Director: Sue Winspear, CPFA (from July 2016)

Sue Winspear joined the board when she became Auditor General of the Cayman Islands in July 2016. Prior to that Sue was Executive Leader Local Services with the UK's National Audit Office from January 2014. Sue was a NAO executive board member and part of the senior leadership team and held specific responsibility for the NAO's work on local government, education and health as well as communications and external relations.

Between 2009 and 2014, Sue was a Senior Civil Servant being Director General Finance & Corporate Services latterly in the Department for Communities and Local Government and before that in the Department for Education / Department for Children, Schools and Families.

Prior to that, Sue had a long career in Local Government and held Board level roles at the London Borough of Sutton and Slough Borough Council where she held the statutory CFO responsibilities amongst other responsibilities. Sue is a CIPFA qualified accountant and was serving as an elected member of CIPFA Council prior to leaving the UK for the Cayman Islands. Sue has held numerous honorary finance and audit roles over the years notably being elected the first female President of the Society of Municipal Treasurers in 2005/06.

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All board members except Mr. Cockburn and Ms. Winspear were initially appointed with effect from 2 May 2012. Mr. Cockburn was appointed on 19 August 2013. Messrs. Austin, Anderton and Mason were re-appointed for a further three year term from 2 May 2015.



# **Auditors Oversight Authority**

CAYMAN ISLANDS

**Audited Financial Statements  
for the  
Fiscal Year Ended 30 June 2016**

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**Auditors Oversight Authority**  
**Statement of Responsibility for Financial Statements**  
**30 June 2016**

These financial statements have been prepared by the Auditors Oversight Authority in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision)*.

The Board of the Authority and the Managing Director are responsible for the preparation of the Auditors Oversight Authority financial statements and for the judgments made in them.

The Board of the Authority and the Managing Director are responsible for establishing, and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by law, and properly record the financial transactions of the Auditors Oversight Authority.

The financial statements fairly present the financial position of the Auditors Oversight Authority as at 30 June 2016, and its financial performance, cash flows and changes in net worth for the financial year then ended.

To the best of our knowledge we represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of the Auditors Oversight Authority for the year ended 30 June 2016;
- (b) fairly reflect the financial position as at 30 June 2016 and financial performance for the year ended 30 June 2016; and
- (c) comply with International Public Sector Accounting Standards as set out by the International Public Sector Accounting Standards Board under the auspices of the International Federation of Accountants.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Michael Austin MBE, FCA  
Chairman  
Date: 21 October 2016



Donald Cockburn, FCPA, FCA  
Managing Director  
Date: 21 October 2016

## AUDITOR GENERAL'S REPORT

### To the Board of Directors of the Auditors Oversight Authority

I have audited the accompanying financial statements of the Auditors Oversight Authority, which comprise the statement of financial position as at 30 June 2016 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 18 in accordance with the provisions of Section 28(3) of the *Auditors Oversight Law, 2011* and Section 60(1)(a)(ii) of the *Public Management and Finance Law (2013 Revision)*.

### ***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## AUDITOR GENERAL'S REPORT (continued)

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Auditors Oversight Authority as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Garnet Harrison, CPA, CA  
Acting Auditor General

21 October 2016  
Cayman Islands

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (Expressed in Cayman Islands dollars)					
30 June 2015 Prior Year Actual		Note	Current Year Actual	2015/16 Final Budget	Variance (Budget vs Actual)
	Current Assets				
200,465	Cash and cash equivalents	3	169,149	231,100	(61,951)
78,750	Receivables	4	78,750	-	78,750
33,901	Accrued income & Prepayments		62,526	-	62,526
313,116	Total Current Assets		310,425	231,100	79,325
	Non-Current Assets				
9,598	Property, plant and equipment	5	8,263	8,400	(137)
9,598	Total Non-Current Assets		8,263	8,400	( 137)
322,714	Total Assets		318,688	239,500	79,188
	Current Liabilities				
-	Unearned revenue	7	2,000	-	2,000
6,000	Trade payables	6	2,627	8,000	(5,373)
22,286	Other payables and accruals	6	13,924	-	13,924
28,286	Total Current Liabilities		18,551	8,000	10,551
28,286	Total Liabilities		18,551	8,000	10,551
294,428	Net Assets		300,137	231,500	68,637
	NET WORTH				
100,000	Contributed capital		100,000	100,000	-
194,428	Accumulated surplus		200,137	131,500	68,637
294,428	Total Net Worth		300,137	231,500	68,637
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					

<b>AUDITORS OVERSIGHT AUTHORITY</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> <b>FOR THE YEAR ENDED 30 JUNE 2016</b> (Expressed in Cayman Islands dollars)					
Prior Year Actual		Note	Current Year Actual	2015/16 Final Budget	Variance (Budget vs Actual)
	<b>Revenue</b>				
502,042	Government of the Cayman Islands	7	315,000	315,000	-
28,954	Fees	8	56,926	169,600	(112,674)
<b>530,996</b>	<b>Total Revenue</b>		<b>371,926</b>	<b>484,600</b>	<b>(112,674)</b>
	<b>Expenses</b>				
122,456	Personnel costs	9,12	122,005	230,000	(107,995)
108,000	Directors' fees	12	108,000	108,000	-
105,172	Other operating expenses	10	134,877	169,000	(34,123)
940	Depreciation	5	1,335	1,800	(465)
<b>336,568</b>	<b>Total Expenses</b>		<b>366,217</b>	<b>508,800</b>	<b>(142,583)</b>
<b>194,428</b>	<b>Surplus/(Deficit) for the year</b>		<b>5,709</b>	<b>(24,200)</b>	<b>29,909</b>
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					

**AUDITORS OVERSIGHT AUTHORITY**  
**STATEMENT OF CHANGES IN NET WORTH**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
(Expressed in Cayman Islands dollars)

Attributable to Cayman Islands Government							
	Contributed Capital	Other Reserves	Revaluation Reserve	Accumulated Surplus/(deficits)	Total net worth	2014/15 Final Budget	Variance (Budget vs Actual)
Balance at 30 June 2014 brought forward	100,000	-	-	-	100,000	265,500	(165,500)
Surplus/(deficit) for the year 2014/15				194,428	194,428	(15,000)	209,428
Repayment of surplus/Dividends to Cabinet	-	-	-	-	-	-	-
Balance at 30 June 2015 carried forward	100,000	-	-	194,428	294,428	250,500	43,928

**Attributable to Cayman Islands Government**

	Contributed Capital	Other Reserves	Revaluation Reserve	Accumulated Surplus/(deficits)	Total net worth	2015/16 Final Budget	Variance (Budget vs Actual)
<b>Balance at 30 June 2015 brought forward</b>	100,000	-	-	194,428	294,428	255,700	38,728
Surplus/(deficit) for the year 2015/16				5,709	5,709	(24,200)	29,909
Repayment of surplus/Dividends to Cabinet	-	-	-	-	-	-	-
<b>Balance at 30 June 2016 carried forward</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>200,137</b>	<b>300,137</b>	<b>231,500</b>	<b>68,637</b>

The accounting policies and notes on pages 8-18 form an integral part of these financial statements.

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016 (Expressed in Cayman Islands dollars)					
Prior Year Actual		Note	Current Year Actual	2015/16 Final Budget	Variance (Budget vs Actual)
	CASH FLOWS FROM OPERATING ACTIVITIES				
315,000	Outputs to Cabinet		315,000	315,000	-
4,000	Fees		29,721	169,600	(139,879)
(102,000)	Directors' fees		(114,000)	(108,000)	(6,000)
(120,900)	Personnel costs		(122,196)	(230,000)	107,804
(106,292)	Operating expenses		(139,841)	(169,000)	29,159
(10,192)	Net cash flows from operating activities	11	(31,316)	(22,400)	(8,916)
	CASH FLOWS FROM INVESTING ACTIVITIES				
(1,581)	Purchase of property, plant and equipment		-	-	-
(1,581)	Net cash flows from investing activities		-	-	-
	CASH FLOWS FROM FINANCING ACTIVITIES				
-	Equity Investment		-	-	-
-	Net cash flows from financing activities		-	-	-
(11,773)	Net increase/(decrease) in cash and cash equivalents		(31,316)	(22,400)	(8,916)
212,238	Cash and cash equivalents at beginning of year		200,465	253,500	(53,035)
200,465	Cash and cash equivalents at end of year		169,149	231,100	(61,951)
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					



**Auditors Oversight Authority  
Notes to the Financial Statements  
For the year ended 30 June 2016  
(Stated in Cayman Islands Dollars)**

**1. Establishment and principal activities**

The Auditors Oversight Authority (the “Authority” or the “AOA”) was established as an independent entity by The *Auditors Oversight Authority Law, 2011* (the “Law”), and commenced operations on 1 May 2012 when the Law came into force. The Authority is responsible for the regulation and supervision of auditors who audit the accounts of market traded companies from or within the Cayman Islands, which auditors are required by the Law to be entered in a register maintained by the Authority (“Recognized Auditors”). The Authority subjects Recognized Auditors to its systems of oversight, quality assurance, investigation and penalties by, inter alia, monitoring compliance by Recognized Auditors with the Rules of the Authority. The Authority began registering auditors in January 2015 and carried out inspections of Recognized Auditors in May 2015 and May 2016.

For the years ended 30 June 2016 and 2015, materially all of the Authority’s funding was provided by the Cayman Islands Government. Whilst the Authority expects to derive increasing revenue from Recognized Auditors in future, it is likely that it will be dependent upon Government funding for the foreseeable future; the Board believes that it is the policy of the present Government to continue to provide such funding.

As at 30 June 2016, the Auditors Oversight Authority had one employee (2015: one). The Auditors Oversight Authority is located at the Government Administration Building, Elgin Avenue, George Town, Grand Cayman, Cayman Islands. Correspondence may be sent to P.O. Box 133, Grand Cayman KY1-9000, Cayman Islands.

**2. Significant accounting policies**

**(a) Basis of preparation**

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (“IPSAS”) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars using the historical cost basis of accounting except as modified for the revaluation of financial instruments at fair value

**Auditors Oversight Authority  
Notes to the Financial Statements  
For the year ended 30 June 2016  
(Stated in Cayman Islands Dollars)**

**Significant accounting policies (continued)**

(b) Comparative amounts

The comparative amounts are the audited amounts for the year ended 30 June 2015.

(c) Use of estimates

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expense during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period and in any future periods that are affected by those revisions.

(d) Budget amounts

The 2015/16 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The amounts shown in these financial statements were included in the 2015/16 Annual Budget Statement of the Government of the Cayman Islands and were not revised after being tabled in the Legislative Assembly on 25 June 2015.

(e) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statement date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of financial performance.

**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2016**  
**(Stated in Cayman Islands Dollars)**

**2. Significant accounting policies (continued)**

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(g) Accounts receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. When there is objective evidence that a debt will not be collected by the Authority according to the agreed terms, a provision for bad debt is established.

(h) Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. When an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, when fair value can be reliably determined, and as revenue in the statement of financial performance in the year in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful life of improvements, whichever is shorter.

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Furniture	12 years
Office Equipment	5 years
Computer Equipment	3 years

(i) Revenue recognition

- i. Outputs to the Cabinet: Revenues are recognized when the outputs agreed in the Annual Plan and Estimates have been delivered.
- ii. Fees: Application and de-registration fees are recognized as earned. Annual fees are recognized as earned over the period to which they relate.

**Auditors Oversight Authority  
Notes to the Financial Statements  
For the year ended 30 June 2016  
(Stated in Cayman Islands Dollars)**

**Significant accounting policies (continued)**

- ii. Financial sanctions: Financial sanctions imposed on those overseen by the Authority are recognised as revenue on receipt.

- (j) Expense recognition

Expenses are recognised when incurred.

- (k) Financial Instruments

- i Classification: A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and trade receivables.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities of the AOA are comprised of trade payables and other payables and accruals.

- ii Recognition: The Authority recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument.
- iii Measurement: Financial instruments are measured initially at the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets and liabilities are recorded at fair value and any gains and losses arising from changes in fair value are recognized in the statement of financial performance in the period in which they arise. At 30 June 2016 and 2015 all financial assets and liabilities were carried at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.
- iv Derecognition: A financial asset is derecognized when the Authority realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expired.

**Auditors Oversight Authority  
Notes to the Financial Statements  
For the year ended 30 June 2016  
(Stated in Cayman Islands Dollars)**

**2. Significant accounting policies (continued)**

(l) Provisions and contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

(m) Subsequent events

Post year-end events that provide additional information about the Auditors Oversight Authority position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

(n) Revenue from Non-Exchange Transactions

The Authority receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include administrative services from the Ministry of Financial Services, Commerce and Environment. The Authority has designated these non-exchange transactions as services in-kind as defined under IPSAS 23- Revenue from non-exchange transactions. When the fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. When the service in-kind offered is directly related to construction or acquisition of a fixed asset, such service in-kind is recognized in the cost of the fixed asset.

No amounts are recognized in these financial statements in respect of services in-kind as management are unable to estimate the fair value of the goods and services received from other core government entities due to the lack of accounting systems to track the costs of these transactions in accordance with IPSAS 23.

**Auditors Oversight Authority  
Notes to the Financial Statements  
For the year ended 30 June 2016  
(Stated in Cayman Islands Dollars)**

**3. Cash and cash equivalents**

The Authority operates a chequing account with Royal Bank of Canada.

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
CIS Operational Current Account held at Royal Bank of Canada – Cayman Islands	169,149	200,465
<b>Total</b>	<b>169,149</b>	<b>\$200,465</b>

**4. Receivables**

The receivables balances as at 30 June 2016 and 2015 represent output funding receivable from Cabinet.

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Government of the Cayman Islands	78,750	78,750
<b>Total</b>	<b>\$78,750</b>	<b>\$78,750</b>

**5. Property, plant and equipment**

	<b>Furniture &amp; Computer equipment</b>	
	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
<b>Cost:</b>		
At start of year	11,279	9,698
Additions	-	1,581
Disposals	-	-
At end of year	11,279	11,279
<b>Accumulated Depreciation:</b>		
At start of year	1,681	741
Charge for the year	1,335	940
Accumulated depreciation on disposals	-	-
At end of year	3,016	1,681
<b>Net book value:</b>	<b>\$8,263</b>	<b>\$9,598</b>

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**6. Trade payables & Other payables and accruals**

Trade payables represent the value of goods and service received for which no cash consideration has been provided as at the Statement of Financial Position date. As at 30 June 2016 and 2015, the AOA had the following payables and accruals:

<b>Trade payables</b>	<b>Current</b>	<b>Non-Current</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Legal fees	2,627	-	2,627	-
Directors' fees	-	-	-	6,000
<b>Total</b>	<b>\$2,627</b>	<b>-</b>	<b>\$2,627</b>	<b>\$6,000</b>

<b>Other payables &amp; accruals</b>	<b>Current</b>	<b>Non-Current</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Audit fees	10,000	-	10,000	9,000
Inspection costs	-	-	-	9,841
Other accruals	3,924	-	3,924	3,445
<b>Total</b>	<b>\$13,924</b>	<b>-</b>	<b>\$13,924</b>	<b>\$22,286</b>

**7. Outputs to the Legislative Assembly: Revenue & Unearned revenue**

The Authority provides services to the Cabinet of the Cayman Islands Government under an agreement established in the Annual Plan and Estimates. The 2015/16 Annual Plan and Estimates established legal provisions for the AOA to provide a maximum of \$315,000 in services (2015: \$315,000). Each fiscal year's Ownership Agreement between the Authority and Government sets out the objectives that the Authority seeks to achieve.

Not all of the objectives under the 2015/16 Ownership Agreement were met in their entirety (see also Note 13). However, all revenue received and receivable from Government for the year ended 30 June 2016 was recognized as earned because the Authority had met a significant number of the objectives and had made very substantial progress to meeting the others.

As at 30 June 2016, the Authority had meet the objectives (including publishing its Rules, commencing the registration of auditors and conducting an inspection of a Recognized Auditor) set out in the Ownership Agreement for the year then ended and had also achieved all of the objectives set out in the Ownership Agreement for the year ended 30 June 2015, some of which had not been fully met at 30 June 2015. Accordingly, all funding received and

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**7. Outputs to the Legislative Assembly: Revenue & Unearned revenue (continued)**

receivable from Government for the year ended 30 June 2016, and all revenue deferred as at 30 June 2015 was recognized as revenue for the financial year ended 30 June 2016.

The table below analyses the funding received from Government and the related revenue recognized and revenue unearned at the end of the year:

<b>Unearned revenue</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
At start of year	-	187,042
Funding from Government	315,000	315,000
Revenue recognized in the year	(315,000)	(502,042)
<b>At end of year</b>	<b>\$-</b>	<b>\$-</b>

Unearned revenue of \$2,000 at 30 June 2016 comprised the unearned portion of annual registration fees received from Recognized Auditors for 2016.

**8. Fees**

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Registration fees	1,000	4,000
Annual fees	2,000	-
Inspection fees	53,926	24,954
<b>Total fee revenue</b>	<b>\$56,926</b>	<b>\$28,954</b>

**9. Personnel costs**

Personnel costs refer to salaries, wages, health care costs, pension and other financial considerations associated with services provided by the employees of the Authority. The only personnel costs incurred in 2015/16 and 2014/15 related to the Managing Director.

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Salary	110,000	110,000
Work permit fees	6,725	10,700
Medical insurance	5,280	1,756
<b>Total Personnel costs</b>	<b>\$122,005</b>	<b>\$122,456</b>



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**10. Other operating expenses**

Other operating expenses include various goods and services provided to the Authority where otherwise not classified in the statement of financial performance.

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Inspection costs	42,441	24,954
Purchase of services & legal fees	37,121	19,385
Travel and subsistence	25,001	30,562
Audit fees - Auditor General's Office	10,000	9,000
IFIAR membership fees	8,789	10,005
Office rent: Government	6,500	6,500
Other expenses	5,025	4,766
<b>Total other operating expenses</b>	<b>\$134,877</b>	<b>\$105,172</b>

Inspection costs comprise fees and expenses paid to the Institute of Chartered Accountants in England and Wales, which is contracted to provide resources for the Authority's inspections, and related work permit fees.

Legal fees incurred in 2015/6 and 2014/15 relate mainly to advice on the content and application of the Authority's Rules and the Regulations to the Law, possible changes to the Law and matters relating to the Managing Director's work permit.

The Authority rents office space in the Government Administration Building at the rate of CI\$542 per month. The lease is year to year, with 6 months notice to vacate.

**11. Reconciliation of surplus to net cash flows from operating activities**

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
<b>Surplus for the year</b>	<b>5,709</b>	<b>194,428</b>
Depreciation charge	1,335	940
(Increase) in current assets	(28,625)	(29,276)
Increase/(decrease) in current liabilities:		
Unearned revenue	2,000	(187,042)
Other current liabilities	(11,735)	10,758
<b>Net cash flows from operating activities</b>	<b>\$(31,316)</b>	<b>\$(10,192)</b>

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**12. Related Party and key management personnel disclosures**

The Auditors Oversight Authority is a wholly owned entity of the Government of the Cayman Islands from which it derives a major source of its revenue. The Cayman Islands Financial Secretary and Auditor General are directors; neither is remunerated separately by the Authority.

Key management personnel remunerated by the AOA include the Chairman, the Deputy Chairman, the Managing Director and an independent Board member. For the 2015/16 and 2014/15 fiscal years, these individuals received the following considerations for their services:

<b>Description</b>	<b>Actual 2015/16</b>	<b>Prior Year Actual</b>
Salaries & other short-term employee benefits	115,280	111,756
Directors' fees	108,000	108,000
<b>Total</b>	<b>\$223,280</b>	<b>\$219,756</b>

**13. Budget variances**

The budget assumed an increased level of operations with an expectation of both more registrations and inspection activity, and additional costs as the capability of Authority was built out.

Although the Authority did carry out two inspections in 2016 compared with one in the prior year, the anticipated significant increase in activity did not occur. The principal reason for this was the unexpected delay in finalizing changes to the Law which would have provided the legal basis for an increase in the scope of the AOA's operations, including conducting inspections on behalf of equivalent authorities in other jurisdictions with oversight responsibility for Cayman Islands based auditors.

**14. Financial risk management**

**Credit risk**

At 30 June 2016, the Authority held CI\$169,149 in financial instruments represented by cash and cash equivalents at one financial institution in the Cayman Islands (see Note 3). As such, the AOA is exposed to credit related losses in the event of non-performance by the financial

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**14. Financial risk management (continued)**

institution. However, given the high credit rating of this financial institution, the Authority does not anticipate any material losses as a result of this concentration.

**Currency and interest risk**

The Authority has no significant exposure to currency exchange loss risk or interest risk.

**Liquidity risk**

In meeting its liquidity requirements, the Authority closely monitors its forecast cash requirements with expected cash drawdowns from the Cabinet. All financial liabilities (creditors and payables) are normally settled in less than six months from the date of the financial statements.

**15. Financial Instruments fair values**

As at 30 June 2016 and 2015, the carrying amount of cash deposits, receivables and trade payables approximated their fair value due to their short-term maturities.

Estimates of fair value are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.