



Auditors Oversight Authority

CAYMAN ISLANDS

Report on Activities for the 18 month period ended 31 December 2017

This report is made pursuant to Rule 101(i) which requires the Authority to report publically on its activities. The Cayman Islands Government and related statutory authorities, of which the AOA is one, changed their financial reporting period to a calendar year end basis and so the AOA will now issue its Annual Reports on the same basis.

Who we are

We are a Cayman Islands independent statutory authority established by The Auditors Oversight Law (the “AOL”).

What we do

Our current mandate is to regulate and supervise auditors who audit the financial statements of market traded companies through conducting inspections of such auditors. At 31 December 2017, there were three auditors registered with us who audit collectively three market traded companies. Amendments to the AOL in December 2016 (see below in “Other events and developments in the period”) will likely have the effect of expanding the scope of our regulatory and supervisory mandate beyond market traded companies.

Leadership

The Board of the Authority provides the leadership of the Authority. Currently the Board is comprised of six persons, three of whom are retired public accountants of whom two are resident in the Cayman Islands, one is the Auditor General of the Cayman Islands, one is the Financial Secretary of the Cayman Islands and finally the Managing Director of the Authority who is an ex-officio member of the Board. The Managing Director is entrusted with the day to day administration of the Authority under authority delegated by the Board.

Inspection results for the period

The Managing Director is responsible for leading the inspection activities of the Authority. The Authority has entered into an arrangement with the Institute of Chartered Accountants in England and Wales whereby personnel from the Institute assist the Managing Director in the conduct of the Authority’s inspection activities. Following inspections in May 2015 and May 2016, we had expected to inspect one audit firm in 2017 but, in the event, it transpired that the selected firm did not audit any in-scope entities and so the planned inspection was abandoned; the firm has subsequently de-registered.

The inspections performed in May 2015 and May 2016 did not result in the imposition of any requirements, restrictions or sanctions. Accordingly, no follow up action was



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required by the AOA in the period ended 31 December 2017 in respect of those inspections.

Other events and developments in the period

- **Amendment of The Auditors Oversight Law (effective 5 December 2016)**

The more significant changes were:

1. Creation of two new categories of audits falling under the AOA’s oversight:
 - i. “Designated company”: the change allows the AOA to designate in Regulations other entities which will be mandatorily in scope of its oversight as well as the present “market traded company(s)”, as defined. The purpose is to allow other entities to be brought quickly into scope without the delay of changing the AOL in response to Cayman Islands public policy decisions or changes in circumstances relating to overseas laws and regulations having a bearing on Cayman based entities/audits.
 - ii. “Authority specified company”: the change allows the AOA to designate other entities which will be in scope on a voluntary basis in addition to mandated in scope entities. The AOA and the audit profession in the Cayman Islands have concluded that there will be occasions when it is in the interests of the audit firms to voluntarily submit to the AOA’s oversight in certain instances not presently covered by the AOL. An example would be to allow a Cayman Islands audit firm to submit itself to AOA jurisdiction instead of being overseen by and inspected by an equivalent overseas authority even though the firm is not required to do so by the AOL. The AOA may now gazette categories of entity which are not in scope through operation of law and allow firms to submit the audits of those entities to AOA oversight on a voluntary basis. All aspects of AOL and Rules will then apply to those audits.
2. Clarification of the AOA’s powers to cooperate with other equivalent overseas authorities: the changes provide the AOA with specific powers, obligations and protections, which are similar to those of the Cayman Islands Monetary Authority.

The other changes were largely administrative or conforming in nature.



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The AOA Rules were amended to conform to the AOL changes.

- **International Co-operation**

We continued dialogue with European Commission and the Financial Services Agency/CPA/OB in Japan in connection obtaining equivalence status.

We applied to the Federal Auditor Oversight Authority in Switzerland for equivalence status. To date we have not yet been successful in achieving equivalence status and are continuing efforts in that regard.

Our Managing Director attended the annual Plenary Meeting and Enforcement Workshop of the International Forum of Independent Audit Regulators (“IFIAR”) of which AOA is a member. In April 2017 we became a signatory to IFIAR’s Multilateral Memoranda of Understanding (MMOU) document which will facilitate the entering into of memorandum of understanding with other IFIAR member audit regulators around the world (there are now fifty-two countries which are members of IFIAR of whom twenty-two countries are signatories to the MMOU document).

- **Other matters**

Sue Winspear joined the Board in July 2016 when she became Auditor General of the Cayman Islands.

We continued efforts to identify a Caymanian successor to our Managing Director.

The Public Authorities Law became effective 1 June (except for one section) and will impose certain new governance and behavioral obligations on the AOA.

- **Financial information**

Currently virtually all of our funding is derived from the Cayman Island Government. A modest annual fee is paid by the audit firms and we charge the audit firms inspected the direct costs of the inspection (being the costs of the Institute of Chartered Accountants of England & Wales personnel and the costs of the Managing Director during the inspection). Our annual financial statements are audited by the Office of the Auditor General of Cayman Islands and are included on our website (www.aoa.ky).

12 October 2018