



Auditors Oversight Authority

CAYMAN ISLANDS

Annual Report for the year ended 31 December 2018

This report is made pursuant to Rule 101(i) which requires the Authority to report publically on its activities.

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, through conducting inspections, Caymanian auditors who audit the financial statements of entities which come under our purview. At 31 December 2018, there were three auditors registered with us who audit collectively three such entities.

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 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. We resumed conducting inspections in September 2018 and inspected one audit firm.

The inspections performed in May 2015, May 2016 and September 2018 did not result in the imposition of any requirements, restrictions or sanctions. Accordingly, no follow up action is required by the AOA in the year ended 31 December 2018 in respect of those inspections.



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Other events and developments in the year

- **International Co-operation**

During the year we have continued dialogue with European Commission (EC) in connection with obtaining equivalence status by responding to questions raised by the EC. We are awaiting the EC's response to our responses.

Our Managing Director attended the annual Plenary Meeting of the International Forum of Independent Audit Regulators (“IFIAR”) of which AOA is a member.

- **Scope of activities**

We continue our assessment of the desirability of expanding the scope of our activities. Consultations were held with all stakeholders, including the Cayman Islands Institute of Professional Accountants, the Cayman Islands Monetary Authority and Government. We anticipate finalizing deliberations and producing a formal policy paper in 2019.

- **Other matters**

We continued efforts to identify a Caymanian successor to our Managing Director. Our Managing Director has given notice he intends to retire as Managing Director when his current contract expires on 12 August 2019. He has indicated he will be available to assist with inspections of firms if needed.

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.

17 January 2019