



Auditors Oversight Authority

CAYMAN ISLANDS

Annual Report for the year ended 31 December 2019

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, Cayman Islands auditors who audit the financial statements of entities which come under our purview. At 31 December 2019, there were two auditors registered, one of which had one in-scope audit.

Leadership

The Board of the Authority provides the leadership of the Authority. Currently the Board is comprised of five persons, three of whom are retired public accountants of whom one is a non-resident of the Cayman Islands. The Auditor General of the Cayman Islands and the Financial Secretary of the Cayman Islands are Board members, and the Managing Director of the Authority is a non-voting 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. At 30 September 2019 Donald Cockburn retired as the Managing Director and, effective 1 October 2019, Paul Anderton assumed the role of acting Managing Director, relinquishing his role as a voting director and Deputy Chairman. He is expected to continue as acting Managing Director until the future of the AOA becomes clearer at which time the AOA can recruit a suitably qualified person to take over from him.

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. No inspections were performed in 2019 as no firms were in-cycle to be inspected. The inspections performed in May 2015, May 2016 and September 2018 did not result in the imposition of any requirements, restrictions or sanctions and, accordingly, no follow up action was required by the AOA in the year ended 31 December 2019.



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Other events and developments in the year

- **International Co-operation**

EU equivalency: The AOA had previously applied to the relevant body within the European Commission (EC) for equivalency status. An EC decision dated 25 July 2016 extended our transitional status pending the collection by the EU of additional information from us. During 2018 and 2019 we complied with EC requests to provide specified information to allow them to update their assessment. In June 2019, the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (also known as DG-FISMA) advised the AOA that equivalency status would not be granted and that there would be no extension of the transitional period. The reasons given included:

- Low economic relevance and impact of such a decision on Member States;
- The absence of bilateral agreements already signed by Member States with the Cayman Islands and the possibility that Member States could assess equivalence at a national level.

The AOA remains committed to co-operating with independent audit regulators in EU member states in accordance with its remit as set out in the Auditors Oversight Law.

International Forum of Independent Audit Regulators (“IFIAR”): We continue to be a member of IFIAR and our Managing Director attended the annual Plenary Meeting in 2019.

- **Scope of activities/Future of the AOA**

We continued our assessment of the desirability of expanding the scope of our activities and broadened the process to include a more in depth review of the future role of the AOA in the oversight of the audit profession in the Cayman Islands. Consultations were held with the Cayman Islands Institute of Professional Accountants (CIIPA) and Government. The AOA and CIIPA have set up a working group to consider the future of the AOA; it met twice in the fall of 2019 and further meetings are planned for early 2020 with wider participation from stakeholders. We



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anticipate that the working group will be finalizing deliberations and produce a formal strategy paper by mid-2020.

- **Other matters**

In January 2019 the Authority hired an administration and finance manager whose duties include assisting the Board in complying with relevant existing legislation (such as The Public Authorities Law) and more recent legislation (such as the Data Protection Law).

Financial information

Currently virtually all of our funding is derived from the Cayman Island Government. A modest annual fee is paid by the registered 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.

5 March 2020