



# **Auditors Oversight Authority**

CAYMAN ISLANDS

Annual Report  
for the  
Year Ended 31 December 2020

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**Auditors Oversight Authority**  
**Annual Report**  
**for the year ended 31 December 2020**

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## Auditors Oversight Authority

CAYMAN ISLANDS

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### Acting Managing Director's Report 2020

I have been serving as the acting Managing Director of the Auditors Oversight Authority (AOA) since 1 October 2019, having previously been Deputy Chairman since 2012. Whilst acting in an executive capacity, my role as a voting director has been suspended. I expect 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 me.

The AOA began one inspection in 2020 and completed it in early 2021. There were no matters arising from that inspection, or brought forward from inspections in previous years, that required any action by the AOA. Because of the COVID 19 pandemic, the inspection was conducted remotely. Although this was not as efficient as conducting an inspection on-site, I am satisfied that the inspection was effective. There were no other significant impacts on the AOA's operations as a result of the pandemic.

As I reported last year, when the AOA was formed, one of its principal strategic aims was to be recognized as "equivalent" by the European Commission (EC) as a "third country" regulator. In 2019, the EC decided not to grant equivalency and not to extend the transitional status of the AOA. Recognizing that the strategic importance of having equivalency has waned whilst regulatory developments around the world have suggested that other strategic objectives should be given more thought, the AOA has been reconsidering and debating its remit for some time. In this context, I represent the AOA on a working group set up with the Cayman Islands Institute of Professional Accountants to discuss the future role of the AOA in the oversight of the audit profession in the Cayman Islands. Having obtained the input of Government in 2019, the working group sort input from other stakeholders in 2020 and is expected to continue its work in 2021.

The AOA continues to be a member of the International Forum of Independent Audit Regulators and I participated in various remote IFIAR activities on behalf of the AOA in 2020.

I am sad to report that Don Cockburn, who was the Managing Director of the AOA from its formation in 2012 until fall 2019, died in 2020 after a short illness. Don was instrumental in getting the AOA up and running and led its inspection programme.

Paul Anderton FCA  
Acting Managing Director  
26 March 2021

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## Auditors Oversight Authority

CAYMAN ISLANDS

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### Annual Board Report for the year ended 31 December 2020

Significant matters relating to AOA activities in the year ended 31 December 2020 were as follows:

Registration and Inspection activities: There were no additional registrations and no withdrawals from the Register of Recognized Auditors in 2020. There were two firms on the Register at 31 December 2020.

One inspection was started in 2020 and completed in early 2021. There were no matters arising from inspections in previous years which required further action by the AOA in 2020.

The International Forum of Independent Audit Regulators (IFIAR): The AOA continues to be a member of IFIAR. The IFIAR annual Plenary Meeting was cancelled in 2020 because of the COVID 19 pandemic. However, the AOA continued to participate in IFIAR activities remotely when appropriate, including attending regulatory update sessions.

Future of the AOA: We continued our assessment of the desirability of expanding the scope of our activities and possibly broadening the future role of the AOA in the oversight of the audit profession in the Cayman Islands. In 2019, consultations were held with the Cayman Islands Institute of Professional Accountants (CIIPA) and Government, which resulted in the AOA and CIIPA setting up a working group to consider the future of the AOA. In 2020, the working group sought input from other stakeholders. We anticipate that the working group will finalize deliberations and produce a formal strategy paper in 2021.

Impact of COVID 19: Although the Cayman Islands was locked down for several months in 2020 as a result of the COVID 19 pandemic, the effect of the pandemic on the operations of the AOA was limited to causing us to hold Board meetings and conduct an inspection remotely.

26 March 2021

## **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 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.

#### **Acting Managing Director: 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.

Mr. Anderton served as the Authority's Deputy Chairman through 30 September 2019; he assumed the responsibilities of Managing Director from 1 October 2019 when Mr. Don Cockburn, who had served as Managing Director since August 2013, retired from the role.

### 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: Sue Winspear, CPFA

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 Ms. Winspear were initially appointed with effect from 2 May 2012. Messrs. Austin, Anderton and Mason were re-appointed for a further three year term from 24 July 2018. Mr. Anderton served as the Authority's Deputy Chairman through 30 September 2019; he assumed the responsibilities of Managing Director from 1 October 2019 when Mr. Don Cockburn, who had served as Managing Director since August 2013, retired from the role.



# **Auditors Oversight Authority**

CAYMAN ISLANDS

**Audited Financial Statements  
for the year ended 31 December 2020**

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**Auditors Oversight Authority**  
**Statement of Responsibility for Financial Statements**  
**31 December 2020**

These financial statements have been prepared by the Auditors Oversight Authority in accordance with the provisions of the *Public Management and Finance Act (2020 Revision)* (the “Act”).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Act.

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 the Act, 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 31 December 2020, and its financial performance, cash flows and changes in net worth for the 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 31 December 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and financial performance for the year ended 31 December 2020; 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.

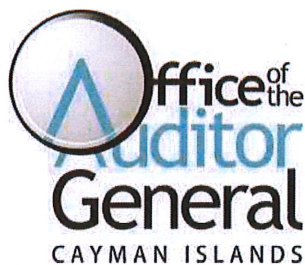
The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Michael Austin MBE, FCA  
Chairman  
Date: 31 March 2021



Paul Anderton, FCA  
Acting Managing Director  
Date: 31 March 2021



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## AUDITOR GENERAL'S REPORT

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

#### Opinion

I have audited the financial statements of the Auditors Oversight Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 20.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for the year ended 31 December 2020 in accordance with International Public Sector Accounting Standards.

#### Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:



## AUDITOR GENERAL'S REPORT (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)* and Section 28(3) of the *Auditors Oversight Act (2017 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Patrick Smith, CPA, CFE  
Acting Auditor General

31 March 2021  
Cayman Islands

<p style="text-align: center;"><b>AUDITORS OVERSIGHT AUTHORITY</b></p> <p style="text-align: center;"><b>STATEMENT OF FINANCIAL POSITION</b></p> <p style="text-align: center;"><b>AS AT 31 DECEMBER 2020</b> (Stated in Cayman Islands dollars)</p>					
<b>31 December 2019 Actual</b>		<b>Note</b>	<b>Current Year Actual</b>	<b>Current Year Final Budget</b>	<b>Variance (Actual vs Budget)</b>
	<b>Current Assets</b>				
289,825	Cash and cash equivalents	3	326,327	221,455	104,872
78,750	Receivables & work in progress	4	109,675	83,750	25,925
2,618	Prepayments & deposits		2,737	15,951	(13,214)
<b>371,193</b>	<b>Total Current Assets</b>		<b>438,739</b>	<b>321,156</b>	<b>117,583</b>
	<b>Non-Current Assets</b>				
2,924	Property, plant and equipment	5	1,714	1,213	501
<b>2,924</b>	<b>Total Non-Current Assets</b>		<b>1,714</b>	<b>1,213</b>	<b>501</b>
<b>374,117</b>	<b>Total Assets</b>		<b>440,453</b>	<b>322,369</b>	<b>118,084</b>
	<b>Current Liabilities</b>				
11,843	Other payables and accruals	6	22,603	10,000	12,603
<b>11,843</b>	<b>Total Current Liabilities</b>		<b>22,603</b>	<b>10,000</b>	<b>12,603</b>
<b>11,843</b>	<b>Total Liabilities</b>		<b>22,603</b>	<b>10,000</b>	<b>12,603</b>
<b>362,274</b>	<b>Net Assets</b>		<b>417,850</b>	<b>312,369</b>	<b>105,481</b>
	<b>NET WORTH</b>				
100,000	Contributed capital		100,000	100,000	-
262,274	Accumulated surplus		317,850	212,369	105,481
<b>362,274</b>	<b>Total Net Worth</b>		<b>417,850</b>	<b>312,369</b>	<b>105,481</b>
<p style="text-align: center;">The accounting policies and notes on pages 8-20 form an integral part of these financial statements.</p>					

<b>AUDITORS OVERSIGHT AUTHORITY</b>  <b>STATEMENT OF FINANCIAL PERFORMANCE</b>  <b>FOR THE YEAR ENDED 31 DECEMBER 2020</b> (Stated in Cayman Islands dollars)					
<b>Year ended 31 December 2019</b>		<b>Note</b>	<b>Current Year Actual</b>	<b>Current Year Final Budget</b>	<b>Variance (Actual vs Budget)</b>
	<b>Revenue</b>				
315,000	Government of the Cayman Islands	7	335,000	335,000	-
3,500	Fees	8	12,925	34,000	(21,075)
<b>318,500</b>	<b>Total Revenue</b>		<b>347,925</b>	<b>369,000</b>	<b>(21,075)</b>
	<b>Expenses</b>				
132,877	Personnel costs	9,12	45,652	176,475	(130,823)
99,000	Directors' fees	12	72,000	108,000	(36,000)
103,023	Other operating expenses	10	173,487	80,306	93,181
706	Depreciation	5	1,210	910	300
<b>335,606</b>	<b>Total Expenses</b>		<b>292,349</b>	<b>365,691</b>	<b>(73,342)</b>
<b>(17,106)</b>	<b>Net surplus (deficit) for the year</b>		<b>55,576</b>	<b>3,309</b>	<b>52,267</b>
The accounting policies and notes on pages 8-20 form an integral part of these financial statements.					

Year ended 31 December 2019	AUDITORS OVERSIGHT AUTHORITY STATEMENT OF CHANGES IN NET WORTH FOR THE YEAR ENDED 31 DECEMBER 2020 (Stated in Cayman Islands dollars)						
		Current Year					
		Contributed capital	Accumulated surplus	Total net worth	Final budget	Variance (Actual vs Budget)	
	379,380	Opening balance	100,000	262,274	362,274	309,060	53,214
	(17,106)	Net surplus (deficit) for the year	-	55,576	55,576	3,309	52,267
-	Dividends	-	-	-	-	-	
362,274	Closing balance	100,000	317,850	417,850	312,369	105,481	
The accounting policies and notes on pages 8-20 form an integral part of these financial statements.							

Year ended 31 December 2019	<b>AUDITORS OVERSIGHT AUTHORITY</b> <b>STATEMENT OF CASH FLOWS</b> <b>FOR THE YEAR ENDED 31 DECEMBER 2020</b> (Stated in Cayman Islands dollars)			
	Note	Current Year Actual	Current Year Budget	Variance (Actual vs Budget)
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
315,000	7	315,000	330,000	(15,000)
27,881	8	2,000	34,000	(32,000)
(105,000)	12	(72,000)	(108,000)	36,000
(128,091)	9	(46,059)	(176,475)	130,416
(90,162)	10	(162,439)	(80,986)	(81,453)
<b>19,628</b>	<b>11</b>	<b>36,502</b>	<b>(1,461)</b>	<b>37,963</b>
		<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
3,630		-	-	-
<b>3,630</b>		<b>-</b>	<b>-</b>	<b>-</b>
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
-		-	-	-
<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>15,998</b>		<b>36,502</b>	<b>(1,461)</b>	<b>37,963</b>
273,827		289,825	222,916	66,909
<b>289,825</b>		<b>326,327</b>	<b>221,455</b>	<b>104,872</b>
The accounting policies and notes on pages 8-20 form an integral part of these financial statements.				



**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**(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 Act (the “Act”), and commenced operations on 1 May 2012 when the Act came into force. The Authority is responsible for the regulation and supervision of auditors who audit the accounts of market traded companies and designated and Authority specified companies (as defined by the Act ) from or within the Cayman Islands, which auditors are required by the Act 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.

For the financial years ended 31 December 2020 and 2019, 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 31 December 2020, the Auditors Oversight Authority had one employee (31 December 2019: one). The Auditors Oversight Authority is located at Bay Town House, 68 West Bay Road, 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.

Certain new accounting standards have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Authority. The Authority’s assessment of the impact of these new standards is set out below:

*IPSAS 41, Financial Instruments* was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in *IPSAS 29, Financial Instruments: Recognition and Measurement*.

**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**(Stated in Cayman Islands Dollars)**

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

*IPSAS 42, Social Benefits* was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured.

It is anticipated that neither IPSAS 41 nor 42 will have an impact on the Authority's financial statements, but this will be assessed more fully closer to the effective date of adoption.

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.

(b) Comparative amounts

The comparative amounts are the audited amounts for the year ended 31 December 2019.

(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.

**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**(Stated in Cayman Islands Dollars)**

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

(d) Budget amounts

The original budget amounts for the year ended 31 December 2020 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 Budget Statement of the Government of the Cayman Islands for the year ended 31 December 2020 and were not revised after being passed by the Legislative Assembly on 5 December 2019.

(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.

(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.

**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**(Stated in Cayman Islands Dollars)**

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

(h) Property, Plant and Equipment (continued)

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) Liabilities for employee benefits

- i. Annual leave entitlement: Annual leave due, but not taken, is recognized as a current liability at the current rates of pay.
- ii. Pension obligations: Pension contributions are included in personnel costs in the statement of financial performance. The Authority makes contributions at the rate of 5% of eligible employees' salary to a third-party, multi-employer, defined contribution scheme. One employee was eligible for pension contributions in 2020 (2019: one).

(j) 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 when the related event is complete. Annual fees are recognized as earned over the period to which they relate.  
Inspection fees are recognized as earned over the period of the related inspection.
- iii. Financial sanctions: Financial sanctions imposed on those overseen by the Authority are recognised as revenue on receipt.

**Auditors Oversight Authority**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**(Stated in Cayman Islands Dollars)**

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

(k) Expense recognition

Expenses are recognised when incurred.

(l) 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 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 31 December 2020 and 2019 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.

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

(m) 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.

(n) 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.

(o) 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 may include administrative and support services from the Ministry of Financial Services and Home Affairs, the Computer Services Department and the Portfolio of the Civil Service. 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 property, plant and equipment, such service in-kind is recognized in the cost of the 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.

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**3. Cash and cash equivalents**

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

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
CI\$ Operational Current Account held at Royal Bank of Canada – Cayman Islands	325,941	289,325
Petty cash	386	500
<b>Total</b>	<b>\$326,327</b>	<b>\$289,825</b>

**4. Receivables & work in progress**

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Government of the Cayman Islands: 4 <sup>th</sup> quarter funding receivable	98,750	78,750
Inspection work in progress	10,925	-
<b>Total</b>	<b>\$109,675</b>	<b>\$78,750</b>

**5. Property, plant and equipment**

	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
<b>Cost:</b>		
At start of year	5,211	1,581
Additions	-	3,630
Disposals	-	-
At end of year	5,211	5,211
<b>Accumulated Depreciation:</b>		
At start of year	2,287	1,581
Charge for the year	1,210	706
Accumulated depreciation on disposals	-	-
At end of year	3,497	2,287
<b>Net book value:</b>	<b>\$1,714</b>	<b>\$2,924</b>

Property, plant and equipment at 31 December 2020 and 2019 comprised computer equipment.

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**6. Other payables and accruals**

<b>Other payables &amp; accruals</b>	<b>Current</b>	<b>Non-Current</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Audit fees	10,000	-	10,000	10,000
Other	12,603	-	12,603	1,843
<b>Total</b>	<b>\$22,603</b>	<b>-</b>	<b>\$22,603</b>	<b>\$11,843</b>

**7. Outputs to Government: Revenue**

The Authority provides services to the Cabinet of the Cayman Islands Government under an agreement established in the Annual Plan and Estimates (the “Plan”). The Plan for the year ended 31 December 2020 established legal provisions for the AOA to provide a maximum of \$335,000 in services (2019: \$315,000). Each fiscal year’s Ownership Agreement between the Authority and Government sets out the objectives that the Authority seeks to achieve.

Materially all of the objectives under the 2020 and 2019 Ownership Agreements were met and, accordingly, all revenue received and receivable from Government for the years ended 31 December 2020 and 2019 was recognized as earned in the respective years.

**8. Fees**

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Registration & withdrawal fees	-	1,500
Annual fees	2,000	2,000
Inspection fees	10,925	-
<b>Total fee revenue</b>	<b>\$12,925</b>	<b>\$3,500</b>

**9. Personnel costs**

Personnel costs comprise salaries, wages, health care costs, pension and other financial considerations associated with services provided by the employees of the Authority. The personnel costs incurred in the year ended 31 December 2020 related to one employee (2019: to the Managing Director (through 30 September 2019; see Note 10) and one other employee).



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**9. Personnel costs (continued)**

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Salary	43,478	115,776
Work permit fees	-	3,800
Medical insurance	-	11,637
Pension payments	2,174	1,664
<b>Total personnel costs</b>	<b>\$45,652</b>	<b>\$132,877</b>

In 2020, the Authority made pension contributions to a third-party, multi-employer, defined contribution scheme for one employee (2019: one) at the rate of 5% of their salary.

**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 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Inspection costs	8,600	-
IFIAR membership fees	13,185	12,972
Consulting fees	120,648	30,162
Travel and subsistence	2,734	26,449
Audit fees - Auditor General's Office	10,000	10,000
Office rent, cleaning & utilities	9,332	9,344
Purchase of services & legal fees	3,030	6,472
Other expenses	5,958	7,624
<b>Total other operating expenses</b>	<b>\$173,487</b>	<b>\$103,023</b>

Consulting fees comprise payments to the Authority's acting Managing Director who is fulfilling that role under a consultancy contract which initially ran from 1 October 2019 through 31 March 2020, and which has been renewed through 31 March 2021, and which is further renewable by mutual consent. The monthly rate is CI\$10,054; no other benefits are payable under the contract.

2020 inspection costs comprise fees and expenses due to the Institute of Chartered Accountants in England and Wales, which is contracted to provide resources for the Authority's inspections. No inspections were performed in 2019.

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**10. Other operating expenses (continued)**

From 26 April 2019, the Authority rented office space for a 3 year term; the monthly rent including allocated common area costs is approximately CI\$652.

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

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Surplus (deficit) for the year	55,576	(17,106)
Depreciation charge	1,210	706
Decrease/(increase) in current assets	(31,044)	40,185
(Decrease)/increase in current liabilities	10,760	(4,157)
<b>Net cash flows from operating activities</b>	<b>\$36,502</b>	<b>\$19,628</b>

**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.

The Office of the Auditor General receives an audit fee of \$10,000 for conducting the audit of the Authority's financial statements. The Auditor General has recused herself of the audit and the audit report is signed off by her Deputy who is delegated Acting Auditor General authority to carry out the function of the Auditor General in this circumstance.

Key management personnel remunerated by the AOA include the Chairman, the Deputy Chairman, the Managing Director and an independent Board member. For the years ended 31 December 2020 and 2019 these individuals received the following considerations for their services:

<b>Description</b>	<b>Actual 31 Dec. 2020</b>	<b>Actual 31 Dec. 2019</b>
Salaries & other short-term employee benefits	0	94,137
Directors' fees	72,000	99,000
<b>Total</b>	<b>\$72,000</b>	<b>\$193,137</b>

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**12. Related Party and key management personnel disclosures (continued)**

Effective 1 October 2019, the Deputy Chairman ceased to be a voting, remunerated director and became the Authority's acting Managing Director (replacing the retiring Managing Director) under a consultancy contract (see Note 10).

**13. Budget variances**

The budget variances can be explained by a combination of specific matters and differences in the timing of transactions as reflected in the budget and the actual transaction dates, viz:

Cash and cash equivalents/Receivables: the budget assumed net expenses would have been higher (see comment below).

Other payables and accruals: timing differences principally related to an inspection which ran across year end and resulted in unbudgeted accrued inspection costs.

Fees: the budget envisaged an inspection being completed in 2020 (budgeted fees \$34,000); one began in 2020 but was not completed until 2021. In addition, because the inspection was conducted remotely (because of the COVID pandemic), the actual costs and, hence, fees billed were approximately 45% of those budgeted.

Personnel costs: the managing director role was carried out under a consulting contract and the cost (\$120,648) included in other operating expense and not personnel costs.

Directors' fees: the budget did not envisage that the Deputy Chairman would become the acting Managing Director and cease to be a remunerated director from 1 October 2019 (see Note 12).

Other operating expenses: unbudgeted costs of the acting Managing Director (see above) were \$120,648. Also, the budget envisaged an inspection being completed in 2020 (budgeted costs approximately \$30,000); one began in 2020 but was not completed until 2021. In addition, because the inspection was conducted remotely (because of the COVID pandemic), the actual costs were approximately 45% of those budgeted.

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**14. Financial risk management**

**Credit risk**

At 31 December 2020, the Authority had CI\$325,941 (2019: CI\$289,325) in a current account 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 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 31 December 2020 and 2019, the carrying amount of cash deposits, receivables and other 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.

**16. Compliance with the Public Authorities Act, 2020**

The Authority is required to comply with the Public Authorities Act, 2020, (the “PAL”). Amongst other matters, Section 39 (2) of the PAL requires that where a public authority has surplus cash reserves for a period of more than ninety days, the surplus shall be paid to core government unless otherwise directed by Cabinet, after written consultation with the Board. Cabinet has approved the exemption of public authorities from paying over surplus cash reserves as at 31 December 2020.

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**16. Compliance with the Public Authorities Act, 2020 (continued)**

Section 39 (3) of the PAL also requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance and Economic Development (the “Ministry”) after written consultation with the Board, unless otherwise directed by Cabinet.

The Ministry has advised the Authority that it will not be required to pay a dividend out of its surplus as at 31 December 2020 because its operations are not self-sustaining. Going forward, the Authority may be required to pay a dividend in accordance with Government’s policy for the payment of annual dividends unless the Authority continues to satisfy the exemption criteria noted under the policy.