



# **Auditors Oversight Authority**

CAYMAN ISLANDS

Annual Report  
for the  
18 months ended 31 December 2017

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**for the eighteen months ended 31 December 2017**

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## Auditors Oversight Authority

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### Managing Director's Report 2017

I am pleased to present my fifth report as Managing Director of the Auditors Oversight Authority (AOA) and to report on developments during the eighteen-month period ended 31 December 2017. Our efforts during the period were focused on expanding the scope of our inspection activities.

We were successful in achieving amendments to our law with the passage of The Auditors Oversight (Amendment) Law, 2016 by the Legislative Assembly 24 October 2016. The primary purpose of the amendments was to expand the potential scope of our inspection activities to include two additional categories of audits subject to our oversight and to permit co-operation between ourselves and other audit regulators. As a result of these amendments our Rules were revised to reflect those amendments. The consolidated Auditors Oversight Law (2017 Revision) and amended Rules are now included on our AOA web site ([www.aoa.ky](http://www.aoa.ky)).

In connection with the above, the process for applying to the relevant body in the European Commission for equivalence status continues as does the process for applying to the Financial Services Agency/CPA/OB in Japan for equivalence status. During fiscal 2017 we also applied to the Federal Auditor Oversight Authority in Switzerland for equivalence status. We have not yet been successful to date in achieving equivalence status but are continuing efforts in that regard.

In the meantime, AOA continues to be a member of the International Forum of Independent Audit Regulators (IFIAR) and attends their annual Plenary Meeting and Enforcement Workshop. During fiscal 2017, in a significant development, AOA 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).

Also in 2017, The Public Authorities Law, 2017 was passed by the Legislative Assembly 27 March 2017. AOA, as are all public authorities in the Cayman Islands, is subject to this Law which except for one section of the Law is effective 1 June 2017. We are continuing to consider the governance implications of the new Law on our activities.



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As mentioned in my previous report as Managing Director of AOA, AOA is in the process of engaging a person to replace me as Managing Director of AOA. We were not successful in doing so in fiscal 2017 but will continue efforts in 2018 to engage my successor.

Donald Cockburn  
FCPA, FCA  
Managing Director  
24 January 2018



# Auditors Oversight Authority

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## Annual Board Report for the eighteen months ended 31 December 2017

### **Who we are**

We are a Cayman Islands independent statutory authority established by the Auditors Oversight Law, 2011. Our Law was amended through the passage of The Auditors Oversight (Amendment) Law 2016 by the Legislative Assembly 24 October 2016. The amendment added two additional categories of audits to our purview (designated companies and Authority specified companies).

### **What we do**

Our current mandate is to regulate and supervise auditors who audit the financial statements of market traded, designated and Authority specified companies through conducting inspections of such auditors. There are currently four auditors who are registered with us.

### **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. Under the new Public Authorities Law, 2017, which became effective on 1 June 2017, Board members who are public servants are not entitled to vote at Board meetings nor is the Managing Director.

### **Inspection results**

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. We did not conduct any inspections in fiscal 2017. In May 2015 we inspected one audit firm which audited one market traded company. In May 2016 we inspected two audit firms which each audited one market traded company. In all three cases we reported on the results of our inspections without the imposition of requirements, restrictions or sanctions. We expect we will conduct an inspection of at least one firm registered with us in 2018.



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## **Financial information**

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](http://www.aoa.ky)).

24 January 2018

# 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: 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.