

Auditors Oversight Authority

CAYMAN ISLANDS

Annual Report
for the
Year Ended 31 December 2022

Auditors Oversight Authority
Annual Report
for the year ended 31 December 2022

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Auditors Oversight Authority
CAYMAN ISLANDS

Acting Managing Director's Report 2022

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, I relinquished my role as a voting director. 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 replace me.

No inspections were carried out in 2022. There were no matters arising from inspections in previous years that required any action by the AOA.

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, during 2022, I continued to 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 and participated in discussions with other stakeholders including Government. Although concluding on a strategic plan for the future of the AOA has taken much longer than expected, significant progress was made in 2022 and I am optimistic that a final plan can be developed in 2023.

In the fall of 2021, the AOA completed a questionnaire designed to allow the UK Financial Reporting Council ("FRC") to assess the adequacy of the Cayman Islands audit regulatory regime as part of a process to determine whether the Cayman Islands should be recognized as "equivalent" by the UK as a "third country" regulator. In late 2022, we received follow up questions from the FRC, to which we have responded, and we have recently been advised that the FRC has paused their assessment pending more clarity on the future remit of the AOA.

In 2022, the AOA underwent a similar assessment process with the Swiss authorities. They declined to recognize the Cayman regime as equivalent because of the AOA's use of the Institute of Chartered Accountants in England and Wales to assist with inspections. In this respect, the Swiss position is unchanged from their last assessment several years ago and it is not expected to have a significant impact on the AOA's operations.

The AOA continues to be a member of the International Forum of Independent Audit Regulators. The IFIAR annual Plenary Meeting was held remotely in 2022 because of the COVID 19 pandemic, and I participated on behalf of the AOA. I also participated in various other IFIAR activities, including regulatory update sessions.



Paul Anderton FCA
Acting Managing Director
27 March 2023

Auditors Oversight Authority
CAYMAN ISLANDS

Annual Board Report for the year ended 31 December 2022

Significant matters relating to AOA activities in the year ended 31 December 2022 were as follows:

Registration and Inspection activities: There were no additional registrations and no withdrawals from the Register of Recognized Auditors in 2022. There were two firms on the Register at 31 December 2022.

No inspection activity took place in 2022. There were no matters arising from inspections in previous years which required further action by the AOA in 2022.

The International Forum of Independent Audit Regulators (IFIAR): The AOA continues to be a member of IFIAR. The IFIAR annual Plenary Meeting was held remotely in 2022 because of the COVID 19 pandemic, and the AOA participated. The AOA continued to participate in other 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. We have held consultations with the Cayman Islands Institute of Professional Accountants and Government, and with other stakeholders including the Cayman Islands Monetary Authority. We had anticipated that the working group would have finalized deliberations and produced a formal strategy paper in 2022 but we now expect that this will be completed in 2023.

Impact of COVID 19: The effect of the pandemic on the 2022 operations of the AOA was limited to causing us to participate in IFIAR activities and hold Board meetings remotely.

Board composition: Effective 3 May 2022, the then Chairman retired, and the appointments of the other independent directors expired. The Ministry indicated its intention to re-appoint those directors (one of whom would become Chairman) but such appointments are awaiting formal confirmation by Government. In the meantime, the Board has functioned as if such appointments had been formally renewed. Once formally re-constituted, the Board will review all actions taken at Board meetings since 3 May 2022.

27 March 2023

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
- Up to 3 other directors appointed by the Cayman Islands Government, to be retired public accountants, one of whom is not resident in the Cayman Islands ("independent directors").

Effective 3 May 2022, the then Chairman retired, and the appointments of the other independent directors expired. The Ministry indicated its intention to re-appoint those directors (one of whom would become Chairman) but such appointments are awaiting formal confirmation by Government. In the meantime, the Board has functioned as if such appointments had been formally renewed.

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.

Mr. Austin served as AOA Chairman from 2 May 2012 to 3 May 2022.

Acting Chairman/Deputy Chairman: 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. 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.

Mr. Mason has been a director since 2 May 2012 and served as Deputy Chairman from 4 May 2021 to 3 May 2022, since when he has been acting as Chairman.

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 PricewaterhouseCoopers 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.

Mr. Anderton served as the AOA's Deputy Chairman from May 2012 to 30 September 2019. He assumed the responsibilities of Managing Director from 1 October 2019 under a service agreement which currently expires on 31 March 2023 and is renewable by mutual consent.

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.

Mr. Jefferson has been a director since May 2012.

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.

Ms. Winspear has been a director since July 2016.

Director: Glen Wigney, CPA (ON), CPA (IL)

Glen Wigney is formerly a member of Deloitte & Touche's global financial services team and has over 30 years of experience with Deloitte in three countries. After starting his career in his native Canada, he joined Deloitte's Cayman Islands practice in 1989. During his 20 years with Deloitte Cayman, he served on various alternative investment management industry committees and Deloitte's Global Financial Services Industry Group. Glen was the partner-in-charge of the audit practice of Deloitte Cayman before relocating to Deloitte's U.S. firm. Based in Chicago for seven years, he led Deloitte's Emerging Manager Program in the U.S. Midwest. Mr. Wigney returned to the Cayman Islands in 2014 and co-founded Five Continents Partners Limited to provide governance services to the investment management industry.

Mr. Wigney holds a Bachelor of Commerce degree from Carleton University in Ottawa. He is an Illinois Certified Public Accountant, a member of the Chartered Professional Accountants of Ontario and the Cayman Islands Institute of Professional Accountants. With over 25 years of alternative investment management experience, he is also an SEC Financial Expert. Glen is a registered director under the Directors Registration and Licensing Law, 2014 of the Cayman Islands. He is also the co-founder of the Cayman Islands Chapter of Hedge Funds Care and has served on the global board of directors for this charity.

Mr. Wigney was appointed as a director effective 22 November 2021. His appointment expired on 3 May 2022, but he has continued to serve as a director pending formal re-appointment by Government.

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Auditors Oversight Authority

CAYMAN ISLANDS

Audited Financial Statements for the year ended 31 December 2022

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Auditors Oversight Authority
Statement of Responsibility for Financial Statements
31 December 2022

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 Acting 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 Acting 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 2022, 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 2022;
(b) fairly reflect the financial position as at 31 December 2022 and financial performance for the year ended 31 December 2022; 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.



Alister Mason, PhD, FCPA
Chairman
Date: 27 March 2023



Paul Anderton, FCA
Acting Managing Director
Date: 27 March 2023

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CAYMAN ISLANDS

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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 2022 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 21.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2022 and its financial performance and its cash flows for the year ended 31 December 2022 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

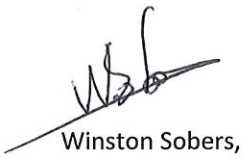
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 (2020 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.



Winston Sobers, FCCA, CFE
Acting Auditor General

27 March 2023
Cayman Islands

AUDITORS OVERSIGHT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Stated in Cayman Islands dollars)

31 December 2021 Actual		Note	Current Year Actual	Current Year Final Budget	Variance (Actual vs Budget)
	Current Assets				
483,569	Cash and cash equivalents	3	527,022	393,777	133,245
-	Receivables & work in progress		-	78,534	(78,534)
2,618	Prepayments & deposits		2,618	2,783	(165)
486,187	**Total Current Assets**		**529,640**	**475,094**	**54,546**
	Non-Current Assets				
504	Property, plant and equipment	4	-	3,654	(3,654)
504	**Total Non-Current Assets**		**-**	**3,654**	**(3,654)**
486,691	**Total Assets**		**529,640**	**478,748**	**50,892**
	Current Liabilities				
54,155	Unearned revenue	6	97,816	-	97,816
14,686	Other payables and accruals	5	13,974	14,993	(1,019)
68,841	**Total Current Liabilities**		**111,790**	**14,993**	**96,797**
68,841	**Total Liabilities**		**111,790**	**14,993**	**96,797**
417,850	**Net Assets**		**417,850**	**463,755**	**(45,905)**
	NET WORTH				
100,000	Contributed capital		100,000	100,000	-
317,850	Accumulated surplus		317,850	363,755	(45,905)
417,850	**Total Net Worth**		**417,850**	**463,755**	**(45,905)**

The accounting policies and notes on pages 8-21 form an integral part of these financial statements.

AUDITORS OVERSIGHT AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2022
(Stated in Cayman Islands dollars)

Year ended 31 December 2021		Note	Current Year Actual	Current Year Final Budget	Variance (Actual vs Budget)
	Revenue				
285,845	Government of the Cayman Islands	**6**	270,483	314,144	(43,661)
6,075	Fees	**7**	2,000	2,000	-
291,920	**Total Revenue**		**272,483**	**316,144**	**(43,661)**
	Expenses				
47,876	Personnel costs	**8,11**	43,787	44,547	(760)
79,093	Directors' fees	**11**	63,220	81,000	(17,780)
163,741	Other operating expenses	**9**	164,972	190,247	(25,275)
1,210	Depreciation	**4**	504	350	154
291,920	**Total Expenses**		**272,483**	**316,144**	**(43,661)**
-	**Net surplus (deficit) for the year**		-	-	-

The accounting policies and notes on pages 8-21 form an integral part of these financial statements.

AUDITORS OVERSIGHT AUTHORITY
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 31 DECEMBER 2022
(Stated in Cayman Islands dollars)

Year ended 31 December 2021		Current Year				
		Contributed capital	Accumulated surplus	Total net worth	Final budget	Variance (Actual vs Budget)
417,850	**Opening balance**	100,000	317,850	417,850	463,755	(45,905)
-	Net surplus (deficit) for the year	-	-	-	-	-
-	Dividends	-	-	-	-	-
417,850	**Closing balance**	**100,000**	**317,850**	**417,850**	**463,755**	**(45,905)**

The accounting policies and notes on pages 8-21 form an integral part of these financial statements.

AUDITORS OVERSIGHT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Stated in Cayman Islands dollars)

Year ended 31 December 2021		Note	Current Year Actual	Current Year Budget	Variance (Actual vs Budget)
	CASH FLOWS FROM OPERATING ACTIVITIES				
438,750	Government of the Cayman Islands	6	314,144	320,610	(6,466)
17,000	Fees	7	2,000	2,000	-
(79,093)	Directors' fees	11	(63,220)	(81,000)	17,780
(47,748)	Personnel costs	8	(44,493)	(44,401)	(92)
(171,667)	Operating expenses	9	(164,978)	(186,618)	21,640
157,242	**Net cash flows from operating activities**	10	**43,453**	**10,591**	**32,862**
	CASH FLOWS USED IN INVESTING ACTIVITIES				
-	Purchase of property, plant and equipment		-	(3,500)	3,500
-	**Net cash flows used in investing activities**		-	(3,500)	3,500
	CASH FLOWS FROM FINANCING ACTIVITIES				
-	Equity Investment		-	-	-
	Net cash flows from financing activities		-	-	-
157,242	**Net increase in cash and cash equivalents**		**43,453**	**7,091**	**36,362**
326,327	Cash and cash equivalents at beginning of year		483,569	386,686	96,883
483,569	**Cash and cash equivalents at end of year**		**527,022**	**393,777**	**133,245**

The accounting policies and notes on pages 8-21 form an integral part of these financial statements.

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 2022 and 2021, materially all of the Authority's funding was provided by the Cayman Islands Government. Whilst the Authority may derive increased 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. There is an on-going reassessment of the Authority's remit in the absence of a currently sustainable scope of operations. In the meantime, the Authority continues to maintain its operational effectiveness and discharge its obligations under the Act.

As at 31 December 2022, the Authority had one employee (31 December 2021: 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 2022 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 was to be applied for financial statements covering periods beginning on or after 1 January 2022; the IPSASB deferred the effective date on implementation to 1 January 2023 because of the significant

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

impacts of the COVID pandemic. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in *IPSAS 29, Financial Instruments: Recognition and Measurement.*

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; the IPSASB deferred the effective date on implementation to 1 January 2023 because of the significant impacts of the COVID pandemic. 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.

IPSAS 43, Leases was issued in January 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. Inter alia, IPSAS 43 requires lessees to measure and account for the right-of-use asset and the lease liability; exemptions apply to short-term leases what will continue to be accounted for in the same manner that operating leases are accounted for under IPSAS 13.

IPSAS 44, Non-current Assets Held for Sale and Discontinued Operations was issued in May 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 44 provides guidance on how to account for non-current assets when they are made available for sale on commercial terms; no such guidance existed prior to IPSAS 44.

It is anticipated that neither IPSAS 43 nor 44 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 2021.

2. Significant accounting policies (continued)

(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.

(d) Budget amounts

The original budget amounts for the year ended 31 December 2022 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 2022 and were not revised after being passed by the Parliament of the Cayman Islands on 8 December 2021.

(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.

2. Significant accounting policies (continued)

(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.

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.

Asset Type	Estimated Useful Life
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 2022 (2021: one).

2. Significant accounting policies (continued)

(j) Revenue recognition and unearned revenue

i. Outputs to the Cabinet: Revenues are recognized when the outputs agreed in the Annual Plan and Estimates have been delivered. If the Authority is unable to make a reliable estimate of the percentage of completion of its obligations under the Ownership Agreement with Government, it will recognize as revenue only that portion of funding received from Government equal to the expenses incurred in the accounting period and will defer the balance and report it on the balance sheet as "unearned revenue".

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.

(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.

2. Significant accounting policies (continued)

(l) Financial Instruments (continued)

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 2022 and 2021 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.

(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 conditions that existed at the balance sheet date and affect the estimates made in preparing the financial statements (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.

2. Significant accounting policies (continued)

(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 Commerce (formerly 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.

3. Cash and cash equivalents

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

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
CI$ Operational Current Account held at Royal Bank of Canada – Cayman Islands	526,522	483,069
Petty cash	500	500
Total	**$527,022**	**$483,569**

4. Property, plant and equipment

	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Cost:		
At start of year	3,630	5,211
Additions	-	-
Disposals	-	(1,581)
At end of year	3,630	3,630
Accumulated Depreciation:		
At start of year	3,126	3,497
Charge for the year	504	1,210
Accumulated depreciation on disposals	-	(1,581)
At end of year	3,630	3,126
Net book value:	**$-**	**$504**

Property, plant and equipment at 31 December 2022 and 2021 comprised computer equipment.

5. Other payables and accruals

Other payables & accruals	Current	Non-Current	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Audit fees	13,500	-	13,500	13,500
Other	474	-	474	1,186
Total	**$13,974**	-	**$13,974**	**$14,686**

6. Outputs to Government and unearned revenue

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Funding received from Government	314,144	340,000
Funding deferred as unearned revenue	(43,661)	(54,155)
Revenue recognized in the year	**$270,483**	**$285,845**

6. Outputs to Government and unearned revenue (continued)

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 2022 established legal provisions for the AOA to provide a maximum of $314,144 in services (2021: $340,000). Each fiscal year's Ownership Agreement between the Authority and Government sets out the objectives that the Authority seeks to achieve.

As at 31 December 2022 and 2021, the Authority had not achieved all of the objectives set out in the 2022 and 2021 Ownership Agreement with Government and was unable to make a reliable estimate of the percentage of completion of its obligations. Accordingly, the Authority recognized as revenue only that portion of funding received from Government equal to the expenses incurred in each of the years ended 31 December 2022 and 2021, and deferred the balance as unearned revenue. The total revenue deferred as unearned at 31 December 2022 was $97,816 (2021: $54,155), materially all of which related to funding received for work related to the strategic review of the Authority's remit and scope of operations (referred to as "the Future of the AOA" project) which was not completed in 2022 and 2021 as initially anticipated. It is anticipated that the originally planned and funded work on this project will be carried out in 2023 and, possibly, future years, in which case the related portion of unearned revenue will be recognized as earned in the year in which the work takes place. Should the work never be completed, Cabinet could require the Authority to repay the funds.

7. Fees

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Registration & withdrawal fees	-	-
Annual fees	2,000	2,000
Inspection fees	-	4,075
Total fee revenue	**$2,000**	**$6,075**

8. 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 2022 related to one employee (2021: one).

8. Personnel costs (continued)

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Salary	41,748	45,596
Pension payments	2,039	2,280
Total personnel costs	**$43,787**	**$47,876**

In 2022, the Authority made pension contributions to a third-party, multi-employer, defined contribution scheme for one employee (2021: one) at the rate of 5% of their salary.

9. 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.

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Inspection costs	-	1,420
IFIAR membership fees	10,267	11,001
Consulting fees	120,648	120,648
Travel and subsistence	-	-
Audit fees - Auditor General's Office	13,500	13,500
Office rent, cleaning, utilities& supplies	14,728	10,143
Purchase of services & legal fees	-	-
Other expenses	5,829	7,029
Total other operating expenses	**$164,972**	**$163,741**

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 2023, and which is further renewable by mutual consent. The monthly rate is CI$10,054; no other benefits are payable under the contract.

From 26 April 2019, the Authority rented office space for a 3-year term which ran until April 2022. A one year lease was executed through to April 2023 with the option to renew for 1 year. The monthly rent including allocated common area costs is approximately CI$706.

10. Reconciliation of surplus to net cash flows from operating activities

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Surplus (deficit) for the year	-	-
Depreciation charge	504	1,210
Decrease/(increase) in current assets	-	109,794
(Decrease)/increase in current liabilities	42,949	46,238
Net cash flows from operating activities	**$43,453**	**$157,242**

11. 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 $13,500 (2021: $13,500) 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 Acting Managing Director and an independent Board member. For the years ended 31 December 2022 and 2021 these individuals received the following consideration for their services.

Description	Actual 31 Dec. 2022	Actual 31 Dec. 2021
Salaries & other short-term employee benefits	-	-
Acting Managing Director's consulting fees	120,648	120,648
Directors' fees	63,220	79,093
Total	**$183,868**	**$199,741**

Effective 1 October 2019, the then 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 9).

11. Related Party and key management personnel disclosures (continued)

Effective 3 May 2022, the then Chairman retired and the appointments of the other independent directors expired. The Ministry indicated its intention to re-appoint those directors (one of whom would become Chairman) but such appointments are awaiting formal confirmation by Government. In the meantime, directors' fees have been paid as if the appointments had been formally renewed.

12. 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) and the 4th quarter funding from Government ($78,536) was received in 2022 whereas the budget reflected it as a receivable.

Revenue from Government/unearned revenue: A portion of the funding received from Government was deferred whereas the budget assumed all funding would have been earned in the year (see Note 6).

Directors' fees: there was an unanticipated board vacancy from May 2022, resulting in lower than budgeted fees.

Other operating expenses: Board meetings and IFIAR conferences were conducted remotely because of COVID, reducing anticipated travel costs by approximately $12,000. The budget also provided for legal fees of $5,000 for general legal advice, which was not needed. The remaining variance balance relates to aggregate lower than budgeted expenses, none of which was individually significant.

13. Financial risk management

Credit risk

At 31 December 2022, the Authority had CI$526,522 (2021: CI$483,069) 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.

13. Financial risk management (continued)

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.

14. Financial Instruments fair values

As at 31 December 2022 and 2021, 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.

15. Compliance with the Public Authorities Act, 2020

The Authority is required to comply with the Public Authorities Act, 2020, (the "PAA"). Amongst other matters, Section 39 (2) of the PAA 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. In prior years, Cabinet has exempted public authorities from paying over surplus cash reserves and the Authority expects that a similar exemption will be made in respect of its surplus cash reserves as at 31 December 2022.

Section 39 (3) of the PAA also requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance (the "Ministry") after written consultation with the Board, unless otherwise directed by Cabinet. For all years through 2021, the Ministry has advised the Authority that it will not be required to pay a dividend out of its surplus because its operations are not self-sustaining. The Ministry has not notified the Authority about a dividend payment for 2022. The payment conditions are the same to those in prior years and, therefore, the Authority has not made a provision for a dividend payment. 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.

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

Section 36(1) of the PAA requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the authority. The capital charge is set by the Minister of Finance after consultation with the public authority's board. There is no capital charge payable for 2022 (2021: $0) because the rate for the 2022 financial year was set at 0%. Going forward, the Authority may be required to pay a capital charge in accordance with the PAA.

16. Subsequent events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to 27 March 2023 which is the date that the financial statements were available to be issued.