



Auditors Oversight Authority

CAYMAN ISLANDS

Audited Financial Statements
for the
18 months ended 31 December 2017

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Auditors Oversight Authority
Statement of Responsibility for Financial Statements
31 December 2017

These financial statements have been prepared by the Auditors Oversight Authority in accordance with the provisions of the *Public Management and Finance Law (2017 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 Revision)*.

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.

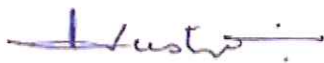
The Board of the Authority and the Managing Director are responsible for establishing, and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by law, and properly record the financial transactions of the Auditors Oversight Authority.

The financial statements fairly present the financial position of the Auditors Oversight Authority as at 31 December 2017, and its financial performance, cash flows and changes in net worth for the eighteen-month financial period 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 eighteen-month financial period ended 31 December 2017;
- (b) fairly reflect the financial position as at 31 December 2017 and financial performance for the eighteen-month financial period ended 31 December 2017; 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: 20 April 2018



Donald Cockburn, FCPA, FCA
Managing Director
Date: 20 April 2018

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Audit Oversight Authority

Opinion

I have audited the financial statements of the Audit Oversight Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 18.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 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 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.

Emphasis of Matter

We draw attention to Note 16 of the financial statements which describes the Authority's non-compliance with *The Public Authorities Law, 2017* subsections 39 (2) and (3) - investing and reserves. Our opinion is not modified in respect of this matter.

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 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 GENERAL'S REPORT (continued)

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:

- 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)(ii) of the *Public Management and Finance Law (2017 Revision)* and Section 28(3) of the *Auditors Oversight Law (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.



Garnet Harrison, CPA, CA
Acting Auditor General

20 April 2018
Cayman Islands

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (Expressed in Cayman Islands dollars)					
30 June 2016 Prior Year Actual		Note	Current Period Actual	Current Period Final Budget	Variance (Budget vs Actual)
	Current Assets				
169,149	Cash and cash equivalents	3	339,017	98,400	240,617
78,750	Receivables	4	-	157,500	(157,500)
62,526	Accrued income & Prepayments		15,883	-	15,883
310,425	Total Current Assets		354,900	255,900	99,000
	Non-Current Assets				
8,263	Property, plant and equipment	5	6,260	7,100	(840)
8,263	Total Non-Current Assets		6,260	7,100	(840)
318,688	Total Assets		361,160	263,000	98,160
	Current Liabilities				
2,000	Unearned revenue	7	-	-	-
2,627	Trade payables	6	-	3,400	(3,400)
13,924	Other payables and accruals	6	15,000	15,000	-
18,551	Total Current Liabilities		15,000	18,400	(3,400)
18,551	Total Liabilities		15,000	18,400	(3,400)
300,137	Net Assets		346,160	244,600	101,560
	NET WORTH				
100,000	Contributed capital		100,000	100,000	-
200,137	Accumulated surplus		246,160	144,600	101,560
300,137	Total Net Worth		346,160	244,600	101,560
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2017 (Expressed in Cayman Islands dollars)					
Prior Year Actual		Note	Current Period Actual	Current Period Final Budget	Variance (Budget vs Actual)
	Revenue				
315,000	Government of the Cayman Islands	7	472,500	472,500	-
56,926	Fees	8	6,000	34,000	(28,000)
371,926	Total Revenue		478,500	506,500	(28,000)
	Expenses				
122,005	Personnel costs	9,12	191,748	172,200	19,548
108,000	Directors' fees	12	162,000	162,000	-
134,877	Other operating expenses	10	76,726	210,050	(133,324)
1,335	Depreciation	5	2,003	1,500	503
366,217	Total Expenses		432,477	545,750	(113,273)
5,709	Net surplus or (deficit) for the period/year		46,023	(39,250)	85,273
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF CHANGES IN NET WORTH FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2017 (Expressed in Cayman Islands dollars)						
Prior Year Actual		Current Period				
		Contributed capital	Accumulated surplus	Total net worth	Final budget	Variance (Budget v Actual)
294,428	Opening balance	100,000	200,137	300,137	283,850	16,287
5,709	Net surplus for the period/year	-	46,023	46,023	(39,250)	85,273
-	Dividends	-	-	-	-	-
300,137	Closing balance	100,000	246,160	346,160	244,600	101,560
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.						

AUDITORS OVERSIGHT AUTHORITY STATEMENT OF CASH FLOWS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2017 (Expressed in Cayman Islands dollars)					
Prior Year Actual		Note	Current Period Actual	Current Period Budget	Variance (Budget vs Actual)
	CASH FLOWS FROM OPERATING ACTIVITIES				
315,000	Government of the Cayman Islands		551,250	472,500	78,750
29,721	Fees		58,159	34,000	24,159
(114,000)	Directors' fees		(162,000)	(162,000)	-
(122,196)	Personnel costs		(189,388)	(172,200)	(17,188)
(139,841)	Operating expenses		(88,153)	(201,250)	113,097
(31,316)	Net cash flows from operating activities	11	169,868	(28,950)	198,818
	CASH FLOWS FROM INVESTING ACTIVITIES				
-	Purchase of property, plant and equipment		-	-	-
-	Net cash flows from investing activities		-	-	-
	CASH FLOWS FROM FINANCING ACTIVITIES				
-	Equity Investment		-	-	-
-	Net cash flows from financing activities		-	-	-
(31,316)	Net increase/(decrease) in cash and cash equivalents		169,868	(28,950)	198,818
200,465	Cash and cash equivalents at beginning of period/year		169,149	127,350	41,799
169,149	Cash and cash equivalents at end of period/year		339,017	98,400	240,617
The accounting policies and notes on pages 8-18 form an integral part of these financial statements.					

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(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 Law, 2011* (the “Law”), and commenced operations on 1 May 2012 when the Law came into force. The Authority is responsible for the regulation and supervision of auditors who audit the accounts of market traded companies from or within the Cayman Islands, which auditors are required by the Law 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 periods ended 31 December 2017 and 30 June 2016, 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 2017, the Auditors Oversight Authority had one employee (30 June 2016: one). The Auditors Oversight Authority is located at the Government Administration Building, Elgin Avenue, 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.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

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.

**Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)**

Significant accounting policies (continued)

(b) Comparative amounts

The comparative amounts are the audited amounts for the year ended 30 June 2016. Government (and, accordingly, the Authority) changed its year end to 31 December from 30 June and decided the first 31 December year end would be 31 December 2017; consequently the twelve-month 2016 audited financial statements are not entirely comparable with those for the eighteen-month period ended 31 December 2017.

(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 period ended 31 December 2017 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 eighteen months ended 31 December 2017 and were not revised after being tabled in the Legislative Assembly on 30 May 2016.

(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.

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

2. Significant accounting policies (continued)

(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.

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) 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.

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

Significant accounting policies (continued)

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.

(j) Expense recognition

Expenses are recognised when incurred.

(k) 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 trade payables and 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 2017 and 30 June 2016 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.

**Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)**

2. Significant accounting policies (continued)

(l) 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.

(m) 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.

(n) 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 include administrative services from the Ministry of Financial Services and Home Affairs. 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 a fixed asset, such service in-kind is recognized in the cost of the fixed 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.

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

3. Cash and cash equivalents

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

Description	Actual 31 Dec. 2017	Prior Year Actual
CI\$ Operational Current Account held at Royal Bank of Canada – Cayman Islands	339,017	169,149
Total	\$339,017	\$169,149

4. Receivables

The receivables balances as at 30 June 2016 represent output funding receivable from Cabinet.

Description	Actual 31 Dec. 2017	Prior Year Actual
Government of the Cayman Islands	-	78,750
Total	\$-	\$78,750

5. Property, plant and equipment

	Furniture & Computer equipment	
	Actual 31 Dec. 2017	Prior Year Actual
Cost:		
At start of period/year	11,279	11,279
Additions	-	-
Disposals	-	-
At end of period/year	11,279	11,279
Accumulated Depreciation:		
At start of period/year	3,016	1,681
Charge for the period/year	2,003	1,335
Accumulated depreciation on disposals	-	-
At end of period/year	5,019	3,016
Net book value:	\$6,260	\$8,263

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

6. Trade payables & Other payables and accruals

Trade payables represent the value of goods and service received for which no cash consideration has been provided as at the Statement of Financial Position date. As at 31 December 2017 and 30 June 2016, the AOA had the following payables and accruals:

Trade payables	Current	Non-Current	Actual 31 Dec. 2017	Prior Year Actual
Legal fees	-	-	-	2,627
Directors' fees	-	-	-	-
Total	\$-	\$-	\$-	\$2,627

Other payables & accruals	Current	Non-Current	Actual 31 Dec. 2017	Prior Year Actual
Audit fees	15,000	-	15,000	10,000
Other accruals	-	-	-	3,924
Total	\$15,000	-	\$15,000	\$13,924

7. Outputs to the Legislative Assembly: Revenue & Unearned 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 eighteen months to 31 December 2017 established legal provisions for the AOA to provide a maximum of \$472,500 in services (Year ended 30 June 2016: \$315,000). Each fiscal year's Ownership Agreement between the Authority and Government sets out the objectives that the Authority seeks to achieve.

Not all of the objectives under the 2016/17 Ownership Agreement were met in their entirety (see also Note 13). However, all revenue received from Government for the period ended 31 December 2017 was recognized as earned because the Authority had continued to fulfil its mandate and devoted significant time and effort to meeting the objectives.

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

8. Fees

Description	Actual 31 Dec. 2017	Prior Year Actual
Registration fees	-	1,000
Annual fees	6,000	2,000
Inspection fees	-	53,926
Total fee revenue	\$6,000	\$56,926

Unearned revenue of \$2,000 at 30 June 2016 comprised the unearned portion of annual registration fees received from Recognized Auditors for 2016.

9. Personnel costs

Personnel costs refer to salaries, wages, health care costs, pension and other financial considerations associated with services provided by the employees of the Authority. The only personnel costs incurred in the period ended 31 December 2017 and year ended 30 June 2016 related to the Managing Director.

Description	Actual 31 Dec. 2017	Prior Year Actual
Salary	165,000	110,000
Work permit fees	7,650	6,725
Medical insurance	19,098	5,280
Total Personnel costs	\$191,748	\$122,005

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.

Description	Actual 31 Dec. 2017	Prior Year Actual
Inspection costs	440	42,441
Purchase of services & legal fees	8,936	37,121
Travel and subsistence	26,732	25,001
Audit fees - Auditor General's Office	15,000	10,000
Office rent: Government	6,500	6,500
IFIAR membership fees	16,545	8,789
Other expenses	2,573	5,025
Total other operating expenses	\$76,726	\$134,877

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)

10. Other operating expenses (continued)

Inspection costs comprise fees and expenses paid to the Institute of Chartered Accountants in England and Wales, which is contracted to provide resources for the Authority's inspections, and related work permit fees. The costs for the period ended 31 December 2017 represent costs incurred by the Authority in planning an inspection which was not completed, net of amounts recovered from the Recognized Auditor concerned.

Legal fees incurred in period ended 31 December 2017 and year ended 30 June 2016 relate mainly to advice on the content and application of the Authority's Rules and the Regulations to the Law, possible changes to the Law and matters relating to the Managing Director's work permit.

Through 30 June 2017, the Authority rented office space in the Government Administration Building at the rate of CI\$542 per month. The lease, which was year to year, with 6 months notice to vacate, was effectively suspended in July 2017.

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

Description	Actual 31 Dec. 2017	Prior Year Actual
Surplus for the year	46,023	5,709
Depreciation charge	2,003	1,335
Decrease/(increase) in current assets	125,393	(28,625)
(Decrease)/increase in current liabilities:		
Unearned revenue	(2,000)	2,000
Other current liabilities	(1,551)	(11,735)
Net cash flows from operating activities	\$169,868	\$(31,316)

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.

Key management personnel remunerated by the AOA include the Chairman, the Deputy Chairman, the Managing Director and an independent Board member. For the period ended 31 December 2017 and year ended 30 June 2016, these individuals received the following considerations for their services:

Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
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12. Related Party and key management personnel disclosures (continued)

Description	Actual 31 Dec. 2017	Prior Year Actual
Salaries & other short-term employee benefits	184,098	115,280
Directors' fees	162,000	108,000
Total	\$346,098	\$223,280

See also Note 10 for amounts paid to related parties for rent.

13. Budget variances

The budget assumed an increased level of operations with an expectation of both more registrations and inspection activity, and additional costs as the capability of Authority was built out. The anticipated significant increase in activity did not occur. The principal reason for this was the unexpected delay in finalizing changes to the Law which would have provided the legal basis for an increase in the scope of the AOA's operations, including conducting inspections on behalf of equivalent authorities in other jurisdictions with oversight responsibility for Cayman Islands based auditors.

In addition, the inspection planned for 2017 did not occur because the Recognized Auditor concerned provided new evidence to the Authority that the subject audits were in fact not within the Authority's remit and we had budgeted for the engagement of a Caymanian to assume the role of Managing Director with a consequent increase in personnel costs arising from a transitional overlap of responsibilities.

Cashflows from Government were higher than budget because of the timing of receipts.
Personnel cost were higher because of an unbudgeted increase in medical insurance costs.

14. Financial risk management

Credit risk

At 31 December 2017, the Authority held CI\$339,017 in financial instruments represented by cash and cash equivalents 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.

**Auditors Oversight Authority
Notes to the Financial Statements
For the eighteen months ended 31 December 2017
(Stated in Cayman Islands Dollars)**

14. Financial risk management (continued)

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 2017 and 30 June 2016, the carrying amount of cash deposits, receivables and trade 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 Law, 2017.

The Authority is required to comply with The Public Authorities Law, 2017, (the "PAL") which became effective on 1 June 2017. Amongst other matters, 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 consultation with the Board in writing. The PAL also requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance after consultation with the Board in writing, unless otherwise directed by Cabinet.

The Authority is not in compliance with these requirements, pending discussions between the Board and the Ministry of Finance as to what formulae the Ministry wishes the Authority to follow to achieve compliance.