



Auditors Oversight Authority

CAYMAN ISLANDS

Annual Report
for the
Year Ended 31 December 2024

Auditors Oversight Authority
Annual Report
for the year ended 31 December 2024

Table of Contents

Acting Managing Director’s Report.....	i
Annual Board Report.....	ii
Board of Directors.....	iii-v
Audited Financial Statements: 31 December 2024	
Statement of Responsibility for the Financial Statements.....	1
Auditor General’s Report.....	2-3
Statement of Financial Position.....	4
Statement of Financial Performance.....	5
Statement of Changes in Net Worth.....	6
Statement of Cash Flows	7
Notes to the Financial Statement.....	8-23



Auditors Oversight Authority

CAYMAN ISLANDS

Acting Managing Director's Report for the year ended 31 December 2024

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 2024. There were no matters arising from previous inspections 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 2024, I continued to represent the AOA in discussions with the Cayman Islands Institute of Professional Accountants, the Cayman Islands Government and the Cayman Islands Monetary Authority to discuss the future role of the AOA in the oversight of the audit profession in the Cayman Islands. Elections will be held in the Cayman Islands in April 2025 and a change of government is likely. It is not possible to predict how a new government would view the value that the AOA brings to the regulatory regime in the Cayman Islands and, hence, the AOA's future.

There were no significant developments during 2024 in the AOA's dealings with equivalent regulators in other jurisdictions.

The AOA continues to be a member of the International Forum of Independent Audit Regulators. I attended the 2024 IFIAR Annual Plenary Meeting and also participated on behalf of the AOA in various other IFIAR activities, including regulatory update sessions. During the Plenary Meeting I was able to have meaningful and helpful discussions with other IFIAR members and with IFIAR officials on various matters, including how to develop the role of a smaller audit regulator such as the AOA.

Paul Anderton FCA
Acting Managing Director
21 March 2025



Auditors Oversight Authority

CAYMAN ISLANDS

Annual Board Report for the year ended 31 December 2024

Significant matters relating to AOA activities in 2024 were as follows:

Registration and Inspection activities: There were no additional registrations and no withdrawals from the Register of Recognized Auditors in 2024. There were two firms on the Register at 31 December 2024.

No inspections were carried out in 2024. There were no matters arising from inspections in previous years which required further action by the AOA in 2024.

The International Forum of Independent Audit Regulators (IFIAR): The AOA continues to be a member of IFIAR. We attended the IFIAR Annual Plenary Meeting held in Osaka in May 2024 and participated in other IFIAR activities remotely when appropriate.

Future of the AOA: We continued our review of the scope of the AOA's activities and the possibility of broadening the future role of the AOA in the oversight of the audit profession in the Cayman Islands. We held consultations with the Cayman Islands Institute of Professional Accountants, Government and other stakeholders including the Cayman Islands Monetary Authority. Although some progress was made, deliberations were not finalized and no formal decisions on the future of the AOA were taken in 2024. We expect that the future of the AOA will be addressed by the government which will be formed following elections in the Cayman Islands in April 2025.

Board composition: Effective 3 May 2022, the then Chairman retired, and the appointments of the other independent directors (Messrs. Mason and Wigney) expired. The re-appointment of those directors and the appointment of additional directors have been delayed because of conflicts between the provisions of the Auditors Oversight Act and the Public Authorities Act (2020 Revision). The AOA has been working with Government to resolve the issue and it is anticipated that the Auditors Oversight Act will be revised in the near future so as to remove the conflicts. In the meantime, the Board has functioned as if the appointments of Messrs. Mason and Wigney had been formally renewed. Once formally re-constituted, the Board will review all actions taken at Board meetings since 3 May 2022.

The conflict created by the legal requirement that the Auditor General serve both as a Board member and as auditor to the AOA continues to be dealt with by the Auditor General being recused from matters related to the audit of the AOA's financial statements and by delegation of the responsibility for the audit to a deputy of the Auditor General.

21 March 2025

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 has indicated its intention to re-appoint those directors (one of whom would become Chairman) once the provisions of the Auditors Oversight Act have been amended to resolve conflicts between it and the Public Authorities Act (2020 Revision). In the meantime, the Board has functioned as if such appointments had been formally renewed.

Board Members

Acting 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 2024 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 in July 2016 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 left the Board when she retired as Auditor General on 28 February 2025 and was replaced on the Board by the Acting Auditor General.

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. He is currently affiliated with Paradigm Governance Partners.

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 Act 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.



Auditors Oversight Authority

CAYMAN ISLANDS

Audited Financial Statements
for the year ended 31 December 2024

Table of Contents

Statement of Responsibility for the Financial Statements.....1

Auditor General’s Report.....2-3

Statement of Financial Position.....4

Statement of Financial Performance.....5

Statement of Changes in Net Worth.....6

Statement of Cash Flows.....7

Notes to the Financial Statements.....8-23

Auditors Oversight Authority
Statement of Responsibility for the Financial Statements
31 December 2024

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 2024, 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 2024;
- (b) fairly reflect the financial position as at 31 December 2024 and financial performance for the year ended 31 December 2024; 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.

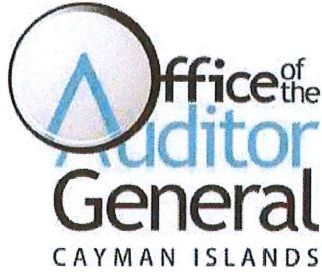
The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Alister Mason, PhD, FCA, FCMA
Acting Chairman
Date: 21 March 2025



Paul Anderton, FCA
Acting Managing Director
Date: 21 March 2025



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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 2024 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2024, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 23.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2024 and its financial performance and its cash flows for the year ended 31 December 2024 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

21 March 2025
Cayman Islands

AUDITORS OVERSIGHT AUTHORITY					
STATEMENT OF FINANCIAL POSITION					
AS AT 31 DECEMBER 2024					
(Stated in Cayman Islands dollars)					
31 December 2023 Actual		Note	Current Year Actual	Current Year Final Budget	Variance (Actual vs Budget)
	Current Assets				
563,117	Cash and cash equivalents	3	292,609	450,392	(157,783)
-	Short-term investments	4	305,114	-	305,114
24,618	Other current assets	5	5,767	3,650	2,117
587,735	Total Current Assets		603,490	454,042	149,448
	Non-Current Assets				
-	Property, plant and equipment	6	-	5,441	(5,441)
-	Total Non-Current Assets		-	5,441	(5,441)
587,735	Total Assets		603,490	459,483	144,007
	Current Liabilities				
140,893	Unearned revenue	8	167,990	-	167,990
28,992	Other payables and accruals	7	17,650	15,850	1,800
169,885	Total Current Liabilities		185,640	15,850	169,790
169,885	Total Liabilities		185,640	15,850	169,790
417,850	Net Assets		417,850	443,633	(25,783)
	NET WORTH				
100,000	Contributed capital		100,000	100,000	-
317,850	Accumulated surplus		317,850	343,633	(25,783)
417,850	Total Net Worth		417,850	443,633	(25,783)
The accounting policies and notes on pages 8-23 form an integral part of these financial statements.					

AUDITORS OVERSIGHT AUTHORITY					
STATEMENT OF FINANCIAL PERFORMANCE					
FOR THE YEAR ENDED 31 DECEMBER 2024					
(Stated in Cayman Islands dollars)					
Year ended 31 December 2023		Note	Current Year Actual	Current Year Final Budget	Variance (Actual vs Budget)
	Revenue				
274,525	Outputs to Government	8	290,505	317,602	(27,097)
24,000	Fees	9	2,000	65,000	(63,000)
-	Investment income	4	11,567	-	11,567
298,525	Total Revenue		304,072	382,602	(78,530)
	Expenses				
45,496	Personnel costs	10	50,767	230,798	(180,031)
54,000	Directors' fees	13	54,000	99,000	(45,000)
199,029	Other operating expenses	11, 13	199,305	125,469	73,836
-	Depreciation	6	-	2,850	(2,850)
298,525	Total Expenses		304,072	458,117	(154,045)
-	Net surplus (deficit) for the year		-	(75,515)	(75,515)
The accounting policies and notes on pages 8-23 form an integral part of these financial statements.					

Year ended 31 December 2023	AUDITORS OVERSIGHT AUTHORITY STATEMENT OF CHANGES IN NET WORTH FOR THE YEAR ENDED 31 DECEMBER 2024 (Stated in Cayman Islands dollars)				
	Current Year				
	Contributed capital	Accumulated surplus	Total net worth	Final budget	Variance (Actual vs Budget)
417,850	100,000	317,850	417,850	519,148	(101,298)
-	-	-	-	(75,515)	75,515
-	-	-	-	-	-
417,850	100,000	317,850	417,850	443,633	(25,783)

The accounting policies and notes on pages 8-23 form an integral part of these financial statements.

AUDITORS OVERSIGHT AUTHORITY					
STATEMENT OF CASH FLOWS					
FOR THE YEAR ENDED 31 DECEMBER 2024					
(Stated in Cayman Islands dollars)					
Year ended 31 December 2023		Note	Current Year Actual	Current Year Budget	Variance (Actual vs Budget)
CASH FLOWS FROM OPERATING ACTIVITIES					
317,602	Outputs to Government	8	317,602	317,602	-
2,000	Fees	9	24,000	65,000	(41,000)
-	Interest on short-term investments	4	8,418	-	8,418
(54,000)	Directors' fees	13	(54,000)	(99,000)	45,000
(45,496)	Personnel costs	10	(50,767)	(230,798)	180,031
(184,011)	Operating expenses	11,13	(210,647)	(124,625)	(86,022)
36,095	Net cash flows from operating activities	12	34,606	(71,821)	106,427
CASH FLOWS FROM INVESTING ACTIVITIES					
-	Short-term investments made		(1,057,763)	-	(1,057,763)
-	Short-term investments matured		752,649	-	752,649
-	Purchase of property, plant and equipment		-	(6,833)	6,833
-	Net cash flows used in investing activities		(305,114)	(6,833)	(298,281)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	Equity Investment		-	-	
-	Net cash flows from financing activities		-	-	
36,095	Net increase (decrease) in cash and cash equivalents		(270,508)	(78,654)	(191,854)
527,022	Cash and cash equivalents at beginning of year	3	563,117	529,046	34,071
563,177	Cash and cash equivalents at end of year	3	292,609	450,392	157,783
The accounting policies and notes on pages 8-23 form an integral part of these financial statements.					

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

1. Establishment and principal activities

The Auditors Oversight Authority (the “Authority” or the “AOA”) was established as an independent entity by The Auditors Oversight Authority Act (the “Act”) and commenced operations on 1 May 2012 when the Act came into force. The Authority is responsible for the regulation and supervision of auditors who audit the accounts of market traded companies and designated and Authority specified companies (as defined by the Act) from or within the Cayman Islands, which auditors are required by the Act to be entered in a register maintained by the Authority (“Recognized Auditors”). The Authority subjects Recognized Auditors to its systems of oversight, quality assurance, investigation and penalties by, inter alia, monitoring compliance by Recognized Auditors with the Rules of the Authority.

For the financial years ended 31 December 2024 and 2023, 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. Elections will be held in the Cayman Islands in April 2025 and a change in Government is likely. It is possible that an in-coming Government may decide to disband the Authority. In the meantime, the Authority continues to maintain its operational effectiveness and discharge its obligations under the Act.

As at 31 December 2024, the Authority had one employee (31 December 2023: 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.

The Authority adopted IPSAS 41: Financial Instruments as of the transition date of 1 January 2023, replacing IPSAS 29: Financial Instruments: Recognition and Measurement. No material changes in recognition or measurement were required upon adoption of IPSAS 41, nor were any new or significantly amended disclosures required.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Certain new accounting standards have been published that are not mandatory for the 31 December 2024 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 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 that 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.

IPSAS 45, Property, Plant, and Equipment was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 45 prescribes the accounting treatment for property, plant and equipment except when another IPSAS requires or permits a different accounting treatment. It will replace IPSAS 17.

IPSAS 46, Measurement was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 46 defines measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities.

IPSAS 47, Revenue was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. IPSAS 47 is a single source for revenue accounting in the public sector.

IPSAS 48, Transfer Expenses was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. IPSAS 48 establishes principles that a transfer provider (an entity that provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return) shall apply to report information about transfer expense transactions in its financial statements.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

IPSAS 49, Retirement Benefit Plans was issued in November 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. *IPSAS 49* prescribes the accounting and reporting requirements for public sector retirement benefit plans.

IPSAS 50, Exploration for and Evaluation of Mineral Resources, and Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12), were issued in November 2024 and shall be applied for financial statements covering periods beginning on or after 1 January 2027 and relate to accounting by public sector mining entities.

It is not anticipated that *IPSAS 43, 44, 45, 46, and 48* will have an impact on the Authority's financial statements; the impact of *IPSAS 47* will be assessed more fully closer to the effective date of adoption. *IPSAS 49, 50* and the amendments to *IPSAS 12* are not applicable to the AOA.

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) Corresponding amounts

The corresponding amounts are the audited amounts for the year ended 31 December 2023.

(c) Use of estimates

The preparation of financial statements in accordance with *IPSAS* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expense during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period and in any future periods that are affected by those revisions.

**Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)**

2. Significant accounting policies (continued)

(d) Budget amounts

The original budget amounts for the year ended 31 December 2024 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 2024 and were not revised after being passed by the Parliament of the Cayman Islands.

(e) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statement date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of financial performance.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(g) Short -term investments

Short-term investments represent term deposits with banks with original maturities greater than three months but less than twelve months.

(h) Accounts receivable and work in progress

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 by applying an expected credit loss model.

Work in progress, which represents time spent performing inspections, investigations and other work that has not yet been billed to Recognized Auditors, is stated at net realisable value.

**Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)**

2. Significant accounting policies (continued)

(i) 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>
Computer Equipment	3 years

(j) 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 12% (2023: 5%) of eligible employees' salaries to a third-party, multi-employer, defined contribution scheme. One employee was eligible for pension contributions in 2024 (2023: one).

(k) 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".

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(k) Revenue recognition and unearned revenue (continued)

- 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.

(l) Expense recognition

Expenses are recognised when incurred.

(m) Financial Instruments

- i. Initial Recognition: Financial assets and financial liabilities are recognised in the Authority's Statement of Financial Position when the Authority becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. On initial recognition, transaction costs directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate.
- ii. Subsequent measurement and classification: Financial assets are subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost, or fair value through other comprehensive revenue and expense (FVTOCRE). Financial liabilities are measured at either amortised cost or FVTSD.

This classification is based on the business model for managing financial instruments, and whether the payments are for solely payments of principal or interest on the principal amount outstanding. All of the Authority's financial assets are held to collect contractual cash flows that are solely payments of principal and interest. Therefore, financial assets are subsequently measured at amortised cost. Financial liabilities are subsequently measured at amortised cost.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(m) Financial Instruments (continued)

ii. Subsequent measurement and classification (continued)

Cash and cash equivalents, short-term investments and trade receivables are recorded at amortized cost using the effective interest method less any expected credit losses.

Impairment of short-term deposits is considered on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The simplified approach to providing for expected credit losses as prescribed by IPSAS 41 is applied to trade and other receivables. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses.

- iii. Derecognition: Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

(n) 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.

(o) 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.

**Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)**

2. Significant accounting policies (continued)

(p) 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, 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

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
CI\$ Operational current account	138,805	562,617
Fixed deposits with original maturities of 3 months or less	153,304	-
Petty cash	500	500
Total	\$292,609	\$563,117

4. Short-term investments

Short-term investments at 31 December 2024 comprise the following fixed term deposits with Royal Bank of Canada in the Cayman Islands with original maturity dates of more than 3 and less than 12 months. (2023: \$nil).

Principal amount	Interest rate	Maturity date
152,127	3.6%	10 March 2025
152,987	3.43%	7 May 2025
\$305,114		

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

4. Short-term investments (continued)

During the year, interest income of \$11,567 (2023: \$nil) was earned on short-term investments.

5. Other current assets

	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Accrued interest	3,149	-
Prepayments & deposits	2,618	2,618
Work in progress -inspections	-	22,000
Total	\$5,767	\$24,618

6. Property, plant and equipment

	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Cost:		
At start of year	3,630	3,630
Additions	-	-
Disposals	-	-
At end of year	3,630	3,630
Accumulated Depreciation:		
At start of year	3,630	3,630
Charge for the year	-	-
Accumulated depreciation on disposals	-	-
At end of year	3,630	3,630
Net book value:	\$-	\$-

Property, plant and equipment at 31 December 2024 and 2023 comprised computer equipment.

7. Other payables and accruals

Other payables & accruals: current	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Audit fees	17,500	17,500
Other	150	11,492
Total	\$17,650	\$28,992

**Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)**

8. Outputs to Government and unearned revenue

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Funding received from Government	317,602	317,602
Funding deferred as unearned revenue	(27,097)	(43,077)
Revenue recognized in the year	\$290,505	\$274,525

The Authority provides services to the Cabinet of the Cayman Islands Government under an agreement established in the Plan and Estimates (the “Plan”). The Plan for the year ended 31 December 2024 established legal provisions for the AOA to provide a maximum of \$317,602 in services (2023: \$317,602). 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 2024 and 2023, the Authority had not achieved all of the objectives set out in the 2024 and 2023 Ownership Agreements 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 2024 and 2023, and deferred the balance as unearned revenue. The total revenue deferred as unearned at 31 December 2024 was \$167,990 (2023: \$140,893), 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 2024 and 2023 as initially anticipated. If the originally planned and funded work on this project is carried out in 2025 and, possibly, future years, 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.

9. Fees

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Annual fees	2,000	2,000
Inspection fees	-	22,000
Total fee revenue	\$2,000	\$24,000

The inspection fees earned in 2023 were included as work in progress at 31 December 2023 and received in full in 2024.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

10. 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 2024 related to one employee (2023: one).

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Salary	45,542	43,365
Pension payments	5,225	2,131
Total personnel costs	\$50,767	\$45,496

In 2024, the Authority made pension contributions to a third-party, multi-employer, defined contribution scheme for one employee (2023: one) at the rate of 12% of their salary. In 2023, pension contributions were split between the Authority and the employee with each paying 5% of salary.

11. 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. 2024	Actual 31 Dec. 2023
Inspection costs	-	18,283
IFIAR membership fees	13,526	10,162
Consulting fees (see also Note 13)	120,648	120,648
Travel and subsistence	13,655	2,749
Audit fees - Auditor General's Office	17,500	17,500
Office rent, cleaning, utilities & supplies	15,448	15,077
Purchase of services & legal fees	13,810	10,572
Other expenses	4,718	4,038
Total other operating expenses	\$199,305	\$199,029

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 2025, and which is further renewable by mutual consent. The monthly rate is \$10,054 (2023: \$10,054); no other benefits are payable under the contract.

**Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)**

11. Other operating expenses (continued)

From 26 April 2019, the Authority rented office space for a 3-year term which ran until April 2022. Three one-year lease extensions were executed through to April 2025, with the option, which the Authority currently intends to exercise, to renew for a further one year period at an estimated annual rent of \$10,000.

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

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Surplus (deficit) for the year	-	-
Depreciation charge	-	-
Decrease/(increase) in other current assets	18,851	(22,000)
(Decrease)/increase in current liabilities	15,755	58,095
Net cash flows from operating activities	\$34,606	\$36,095

13. 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 \$17,500 (2023: \$17,500) for conducting the audit of the Authority's financial statements. The Auditor General has recused herself from 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 comprise the Chairman, the Deputy Chairman (although the AOA has not had a serving Deputy Chairman since May 2022), the Acting Managing Director and an independent Board member. Remuneration for the years ended 31 December 2024 and 2023 was:

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

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

Description	Actual 31 Dec. 2024	Actual 31 Dec. 2023
Key management salaries & other short-term employee benefits	-	-
Acting Managing Director's consulting fees	120,648	120,648
Directors' fees	54,000	54,000
Total	\$174,648	\$174,648

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 11: Other operating expenses).

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.

14. Budget variances

Cash and cash equivalents/short-term investments/investment income: the budget did not envisage the placement of surplus cash on fixed deposit.

Property, plant and equipment: the budgeted expenditures were deferred because there was no operational need for them.

Other payables and accruals: there was an unbudgeted increase of \$2,650 in audit fees for 2024, and lower than expected other accruals due to timing of payments.

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 8).

The majority of the other significant income statement variances arose because the budget anticipated an unrealized, increased remit for the AOA from 1 January 2024. Specifically, the budget reflected:

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

14. Budget variances (continued)

- higher registration and inspection fees (\$63,000);
- higher personnel costs, the majority of which related to the hiring of a full time managing director (approximately \$189,000), although this was partially offset by the fact that the managing director role continued to be performed under a consulting contract (see Note 11) as a result of which \$120,648 was included in Other Operating Expenses in 2024 but not included in the 2024 budget.
- higher inspection costs (approximately \$50,000);
- higher occupancy costs and other operating expenses (approximately \$14,000).

Directors' fees: there was an unanticipated board vacancy during the whole of 2024, resulting in lower than budgeted fees.

None of the other variances within operating expenses were individually material.

15. Financial risk management

Financial instrument risk

The Authority is a party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash & cash equivalents, short-term investments, accounts receivable, and accounts payable. The Authority seeks to minimise exposure from financial instruments and does not enter into speculative financial instrument transactions.

Credit risk

Credit risk is the risk that the counter party to a transaction with the Authority will fail to discharge its obligations, causing the Authority to incur a financial loss. In the normal course of business, the Authority is exposed to credit risk from cash & cash equivalents, short-term investments and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value. Short-term investments comprise fixed deposits placed with Royal Bank of Canada in the Cayman Islands (RBC) which is the Authority's only bank and has a S&P Global Rating of AA-.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

15. Financial risk management (continued)

Credit risk (continued)

In the normal course of business, receivables primarily consist of amounts due for the Government of the Cayman Islands and from firms recently inspected by the Authority. These have a low risk of default due to the Cayman Islands Government's high credit rating and the absence of historical losses on other amounts receivable, and the impact of the expected credit losses on receivables has been estimated to be negligible. Such amounts are normally collected within 30 days of the due date.

The Authority does not anticipate any losses on the realisation of financial instruments held and no allowance has been recognised at 31 December 2024 (2023: \$nil).

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.

16. Financial Instruments fair values

As at 31 December 2024 and 2023, the carrying amount of cash and cash equivalents, short-term investments, 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.

Auditors Oversight Authority
Notes to the Financial Statements
For the year ended 31 December 2024
(Stated in Cayman Islands dollars)

17. Compliance with the Public Authorities Act (2020 Revision)

The Authority is required to comply with the Public Authorities Act (2020 Revision), (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 2024.

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 and Economic Development (the “Ministry”) after written consultation with the Board, unless otherwise directed by Cabinet. For all years through 2023, 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 payment conditions are the same as 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.

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. Based on past practice, the Authority expects that the applicable rate for the 2024 financial year will be set at 0% (2023: 0%) and that no capital charge will be payable for 2024 (2023: \$0). Going forward, the Authority may be required to pay a capital charge in accordance with the PAA.

18. Subsequent events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to 21 March 2025 which is the date that the financial statements were available to be issued.