Office of the Auditor General
CAYMAN ISLANDS

MARITIME AUTHORITY OF THE CAYMAN ISLANDS

Report to those charged with governance on the 2025 audit

June 2026

To help the public service spend wisely

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2025 financial statements of the Maritime Authority of the Cayman Islands ("the Authority"). In providing my audit opinion on the financial statements, I relied on the work carried out on my behalf by a private accounting firm. The firm performed its work in accordance with International Standards on Auditing (ISAs). The ISAs require that we communicate certain matters to those charged with governance of the Authority in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:

   - Auditor's responsibilities in relation to the audit.
   - The overall scope and approach to the audit, including any expected limitations, or additional requirements.
   - Relationships that may bear on our independence, and the integrity and objectivity of our staff.
   - Expected modifications to the audit report.
   - Significant findings from our audit.

2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the 2025 financial statements that we consider worthy of drawing to your attention.

3. This report has been prepared for the sole use of those charged with governance, and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act* (*2021 Revision*) it is the policy of the Office of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER THE INTERNATIONAL STANDARDS ON AUDITING

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters, and this report includes only those matters of interest that came to our attention during the audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 15 October 2026. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

6. While we have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we will read the other information contained in the Authority's annual report. The purpose of the review is to confirm that the information in the annual report is materially consistent with information appearing in the financial statements and our knowledge of the operations of the Authority. We have not reviewed other documents containing the Authority's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. The accounting firm applied a risk-based approach to planning and conducting the audit, with the audit procedures focused on balances, transactions and disclosures that are considered higher risk (or a higher likelihood of material misstatement). The risk assessment was based on the firm's understanding of the Authority and its environment, including the Authority's objectives, strategies, operations, governance structures, and internal controls. They also gained an understanding of the classes of transactions, account balances, and disclosures expected in the financial statements, and reviewed the Authority's business processes and internal controls.

8. The accounting firm's overall audit strategy was to test the design and implementation of controls for significant risks identified and then to take a fully substantive approach.

9. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter presented to the Board of Directors on 15 October 2025 and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors, including that of the private auditing firm.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

10. We have issued a qualified opinion (modified auditor's report) on the 31 December 2025 financial statements. The qualification relates to the comparative 2024 amounts presented on the financial statements. The qualification reads as follows:

    - For the year ended 31 December 2024, the Authority recorded sales of new build safety and surveyor fees of $2,198,296. However, management made a debit entry of $1,102,844 to defer amounts received in advance from customers for performance obligations satisfied over time in accordance with the Authority's accounting policy and IFRS Accounting standards. This management entry reduced the sales of new-build safety and surveyor fees reported under sales of goods and services in the statement of comprehensive income to $1,095,452. We were unable to obtain sufficient appropriate audit evidence regarding the financial reporting period to which the $1,102,844 debit entry relates. Consequently, we were unable to determine whether any adjustment to revenue for the year ended 31 December 2024 and retained earnings as at 1 January 2024 were necessary.

11. Appendix 1 provides information on the audit adjustment made to the financial statements. A total of 10 adjustments valued at $4,517,542 were made. Appendix 2 summarises seven uncorrected misstatements identified.

12. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 30 April 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

13. We are responsible for providing our views about qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

14. Generally accepted accounting principles provide for the Authority to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Authority's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

15. Management has made judgments and estimates with regard to the following financial statement items:

- Expected Credit Losses - $66,875
- Right of use assets - $1,127,793
- Lease liability - $1,243,157
- Past service pension asset - $963,000
- Post-retirement healthcare obligations - $4,632,000
- Unearned revenue - $2,385,044

GOING CONCERN DOUBTS

16. As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Authority's ability to continue as a going concern.

MATERIAL WEAKNESSES IN INTERNAL CONTROL

17. We identified significant deficiencies identified during our audit. These are noted in Appendix 3, along with management's response.

FRAUD OR ILLEGAL ACTS

18. Applicable auditing standards recognise that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with oversight by those charged with governance, place a strong emphasis on fraud prevention and deterrence.

19. They are also responsible for establishing and maintaining controls pertaining to the Authority's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibilities, those charged with governance should consider the potential for management to override controls or exert other inappropriate influence over the financial reporting process.

20. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.

21. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

22. No fraud or illegal acts came to our attention as a result of the 2025 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

23. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

24. We have had no disagreements with management resulting from our audit.

OTHER SIGNIFICANT MATTERS

25. We would like to bring to your attention that the Authority has significant defined benefit retirement healthcare liabilities of $4,632,000, which are currently unfunded. These liabilities will need to be funded from the Authority's operational cash flows as employees retire.

ACKNOWLEDGEMENTS

26. We would like to express our thanks to the staff of the Authority for their help and assistance during the audit of this year’s financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours Sincerely,

Angela Cullen
Acting Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (WACI/ Auditor)
1.	Right of use of assets - Singapore	17305		-34,272.00	**Auditor**
	Accumulated Depreciation on the right-of-use of assets	17306	22,674.00		
	Lease Liability (within 1 year) - UK Office	22401		-2,965.93	
	Lease Liability (within 1 year) - Singapore	22405	34,272.00		
	Lease Liability (within 1 year) - Singapore	22405	765.00		
	Lease Liability (within 1 year) - Singapore	22405		-24,334.00	
	Finance Charge (Lease) - UK Office	54232		-79.79	
	Finance Charge (Lease) - Singapore	54236		-765.00	
	Lease of Sites or Buildings	58001	24,334.00		
	Lease of Sites or Buildings	58001	3,045.72		
	Depreciation - Right of use of assets – Singapore	60306		-22,674.00	
	To recognise Singapore lease as an exempted operating lease.				

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (WACI/ Auditor)
2.	Right of use of assets - Harbour Walk Accumulated Depreciation on Right-of-Use of Assets Lease Liability (Non-Current) - Harbour Walk Lease Liability (Non-Current) - Harbour Walk Finance Charge (Lease) - Harbour Walk Depreciation - Right of use of assets - Harbour Walk *To record the impact of the HW lease extension*	17205 17215 22505 22505 54235 60305	261,328.00 1,557.00 13,278.00	 -261,328.00 -13,278.00 -1,557.00	**Auditor**
3.	Lease Liability (Non-Current) - Harbour Walk Finance Charge (Lease) - Harbour Walk *To correct the HW lease liability and finance charge*	22505 54235	 15,366.00	-15,366.00	**Auditor**
4.	Other Comprehensive Income - Pension Other Comprehensive Income - Post Retirement Health *To match the TB to the FS due to historical classification differences.*	33000 33100	1,562,000.00	 -1,562,000.00	**Auditor**

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (WACI/ Auditor)
5.	Past Service Pension Asset	17180	46,000.00		**Auditor**
	Retirement Liability - Health Care	22205	656,000.00		
	Other Comprehensive Income - Pension	33000		-656,000.00	
	Other Comprehensive Income - Post Retirement Health	33100		-46,000.00	
	Reverse management's OCI entries for healthcare and pensions				
6.	Past Service Pension Asset	17180	260,000.00		**Auditor**
	Other Comprehensive Income - Pension	33000		-234,000.00	
	MACI Pension Contribution (employers only)	50080	46,547.00		
	MACI Pension Contribution (employers only)	50080		-72,000.00	
	Past Service Pension Liabilities	50081		-46,547.00	
	Past Service Pension Liabilities	50081	46,000.00		
	Entry to record pension liability at the year-end				

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (WACI/ Auditor)
7.	Health Care Post Retirement Health Care Liability *Reclass ER contributions to other health insurance expense account*	50060 50084	17,464.00	 -17,464.00	**Auditor**
8.	Retirement Liability - Health Care Other Comprehensive Income - Post Retirement Health Health Care Post Retirement Health Care Liability *To record HC liability adjustment*	22205 33100 50060 50084	 450,000.00 547,000.00	-957,000.00 -40,000.00	**Auditor**
9.	Deferred Revenue – New build Yacht Deferred Revenue – New build Yacht Survey Fee - New build Yacht Survey Fee - New build Yacht *To reverse management's entry for deferred revenue and recognise the correct balance*	21220 21220 41110 41110	426,443.00 77,662.00	 -77,662.00 -426,443.00	**Auditor**

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (WACI/ Auditor)
10.	Accumulated Surpluses (System Only) Miscellaneous *Adjustment to correct the opening retained earnings*	32001 54428	5,807.00	 -5,807.00	**Auditor**
	Total adjustments		**4,517,542.72**	**-4,517,542.72**	

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1.	Under provision in the employee reward amount	-	(99,552)	-	-	99,552
2.	To recognise Foreign Exchange Gain on the UK office lease liability.	-	(23,340)	-	23,340	-
3.	Reclassification of furniture incorrectly included as a leasehold improvement; MACI has not yet gained control of the asset.	24,899 (24,899)	-	-	-	-
4.	Reclassification of furniture incorrectly included as a leasehold improvement; MACI has not yet gained control of the asset.	5,796	(5,796)	-	-	-
5.	Reclassification of leasehold improvements in progress, which represents costs incurred to date for fit-out works that are still under construction and not yet available for use but are controlled by the tenant.	30,271 (30,271)	-	-	-	-

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
6.	Judgemental additional value of completion as at 31 December 2025 for this leasehold improvement	24,333	(24,333)	-	-	-
7.	Judgemental difference to record the extrapolated difference between the total budgeted hours per the new build log and the new build trackers	-	(61,951)	-	61,951	-
	Understated/ (Overstated)	**30,129**	**(214,972)**	**-**	**85,291**	**99,552**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Non-compliance with Acts and Regulations					
1. **<u>Non-compliance with the Procurement Act and Regulations</u>** A review of the procurement process indicated that the Authority was not in compliance with the Procurement Regulation (2022 Revision), Section 5, when directly awarding work to specialist external contractors. Management appointed 44 (2024: 45) surveyors and independent contractors by direct awards with a total contract value of $3,571,760 (2024: $2,370,159). The regulation requires the following for any direct award: • To be related to one of the categories under Regulation 5(1)	**<u>Risks/Implications:</u>** Management may not be able to demonstrate value for money. **<u>Recommendations:</u>** Management should comply fully with the relevant laws and regulations. Management should carry out an annual review of the Authority's expenditure to determine whether the supply of goods/services from a single source will exceed the procurement thresholds and consider whether better value for money could be achieved by entering into a contract with the supplier through a tendering process. Where there is only one supplier for particular commodities, formal documentation should be prepared and retained for future reference.	Y	Y	Management notes the observation and agrees with the recommendations regarding compliance in the use of direct awards to independent contractors. These engagements support a highly specialised maritime sector where continuity and expertise are essential within a limited pool of available providers. Management will strengthen compliance by conducting periodic reviews of expenditure to assess procurement thresholds and opportunities for competitive tendering where feasible, and by ensuring appropriate documentation and justification is consistently	Q4- 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
as a justification for a direct award. • To be requested and approved by the appropriate authority in accordance with the thresholds prescribed by Regulation 5(3). • To be published within thirty days with the details required under Regulation 5(4). • To be endorsed by the Public Procurement Committee, if the procurement value exceeds $250,000. In addition, Regulation 3 requires that a business case be developed for procurement projects exceeding $100,000.				maintained in line with the Procurement Regulations.	
	Recommendation: Management should consult with the Central Procurement Office to discuss the above issue and identify an appropriate solution to ensure compliance with the Procurement Act and Regulations.	Y	Y	Management agrees with this recommendation. MACI has established an Entity Procurement Committee. And has been in contact with the Central Procurement Office so that the Authority can maintain compliance with the Procurement Act.	Q2 - 2025
Financial Management					
2. Deficiencies in the tracking of projects in the new-build log to support new-build survey fees During the year ended 31 December 2025, management conducted a remediation exercise to determine	**Risks/implications:** The manual nature of the new build log and the lack of formal control documentation for the checks to be performed each time the new build log is reviewed may result in erroneous	Y	Y	Management agrees and notes that Safety & Compliance Section will maintain the Budget Tracker Log with periodic random checks by Finance & Accounting. Management	Q4 - 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
the amount of deferred revenue from new vessel survey fees as at that date. To determine the stage of completion, the new build log was modified to capture data elements that would enable management to estimate the percentage of completion based on hours incurred to date relative to the project's total budgeted hours. Discussion with management and audit testing noted the following deficiencies in this process: • There was no clear documentary evidence of the review conducted of the new build log at year end. • Some vessels had different budgeted hours on the new build log in comparison to the new build trackers. Deferred revenue denominated in USD on the log was not translated into KYD at the spot exchange rate as of the reporting date, prior to	input data and arithmetical errors in the spreadsheet going undetected. The deficiencies mentioned increase the risk that deferred revenue has not been measured accurately at year-end. The lack of a documented review of the new build log weakens the control environment for estimating the stage of completion, while inconsistencies in budgeted hours compromise the reliability of percentage-of-completion calculations. Errors in converting foreign currencies will result in a misstatement of the financial statements. **Recommendations:** Management should ensure that it formally documents the reviews and checks to be performed on the new build log when used to estimate revenue earned to date on new vessel surveys. The documentation and checks at a minimum should include: • During the year, check a sample of projects and verify key data elements (such as total contract value, total budgeted hours, and			has identified software which will introduce project management within the mainframe to mitigate the risk of human error and automation of reports. Finance & Accounting will periodically random sample checks on the input data. Our Information Technology section has identified a suitable software solution that meets both Safety & Compliance and Finance & Accounting needs.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
recording the adjustment in the financial statements.	hours incurred to date) back to relevant source documents. • Identifying cells containing formulas and reviewing these formulas to ensure they are operating as intended. • A formal, documented review of the new build log is performed and evidenced at each reporting date. • Budgeted and actual hours used in the new build log are reconciled to the new build trackers and ensure it reflect the progress of the new build as of the end of the reporting period. Management should also consider automating the project management system to reduce errors in budget tracking and deferred revenue calculation.				
3. <u>The expected credit loss provision (ECL) does not align with the 90-day default assumptions</u> In determining the ECL provision, management has assumed that all outstanding receivables more than 90 days past due are in default.	**<u>Risks/Implications:</u>** This results in the inflation of debt in default as of 31 December 2025, increasing the ECL provision for the unpaid 90-day-aged buckets. Management must ensure that they account for post-year-end payments up to 3 months after year-end, in accordance with their point of	N	Y	Management acknowledges and agrees with the recommendation to align sales and payment data used in the ECL model with the 90-day default assumption.	Q2-2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Management prepared the calculation of the ECL provision as at 31 December 2025 using payment information up to that date. As such, the default rate in the ECL provision calculation does not align with their 90-day default assumption, as it does not account for payments made 90 days after 31 December 2025.	default (in this case, a 90-day default assumption). **Recommendation:** Management should consider an offset between the sales data and the payment data used in their ECL model, taking into account the chosen 90-day default assumption. For instance, they could take into account post-year-end payments up to three months after 31 December if sales data for 1 January to 31 December is used.				
4. Errors in the census data used to calculate defined benefit pension and healthcare liabilities Errors were identified in the census data for the defined benefit pension. This should have been updated after the prior-year audit to avoid rolling forward incorrect data. We note that in the 2024 ISA 260, management indicated that this issue would be resolved by Q4 of 2025.	**Risk/Implication:** Errors in input census data used by management's consulting actuaries may result in misstatement of the estimated defined benefit pension and defined benefit healthcare liabilities. **Recommendations:** Management should perform random sample checks of employee data against source documentation each year to ensure the data is correct on file.	Y	Y	Management notes the observation and recommendation and confirms that the 2025 census data was updated by Human Resources section, random sample independently reviewed by Finance & Accounting section prior to submission, reflecting existing controls. Notwithstanding this, Management will strengthen post-audit follow-up,	Q4- 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				formalise review procedures between HR and F&A, and implement a validation checklist to further enhance data integrity. HR will ensure that the 2026 Census is updated with accurate information in order to avoid future deficiencies during the upcoming 2026 MACI Financial audit.	
5. <u>Inaccurate accounting for leasehold improvements</u> During our review of property, plant and equipment, we noted that leasehold improvements within the same leased premises are depreciated over differing useful lives. These assets were not depreciated in accordance with IAS 16 and the Authority's accounting policy.	**<u>Risks/Implications:</u>** Inconsistency in the application of the depreciation policy may lead to misstatement of depreciation expense and the net book value of assets. Lack of clear guidance increases reliance on individual judgment, which may reduce comparability across accounting periods. **<u>Recommendation:</u>** Management should formalise a policy governing the determination of useful lives for leasehold improvements within leased premises. To promote consistency while	N	Y	Management agrees with this recommendation and will implement periodic reconciliations of the fixed asset register.	Q2 - 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	retaining appropriate judgment, the policy should categorise leasehold improvements based on their nature and expected economic life. Management should also implement periodic reconciliations and reviews of the fixed asset register to ensure that the asset listing is up to date and complete, and that the correct parameters are entered into the register.				
Governance					
6. <u>Absence of Audit Committee meeting minutes</u> Our review of the current year's meeting minutes and discussions with management indicated that no formal records were kept for Audit Committee meetings held during the year. Specifically, there were no agendas, meeting summaries, or action logs to document key discussions, decisions, or follow-ups.	**<u>Risks/Implications</u>**: The lack of formal records may reduce the effectiveness of the Audit Committee's governance and oversight. It can result in incomplete audit trails, making it difficult to track key issues, decisions, and follow-up actions and potentially undermining accountability and transparency. **<u>Recommendation:</u>** The Audit Committee and the Board of Directors should ensure that formal meeting minutes are maintained for each audit committee discussion. These records should be	Y	Y	Agreed. The Audit & Finance Committee has been restructured with scheduled meetings.	Q2 - 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
We note that in the 2024 ISA 260, management indicated that this issue would be resolved by Q4 of 2025.	reviewed and approved by the Committee and retained in accordance with governance best practices.				