CAYMAN ISLANDS MONETARY AUTHORITY

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

JULY 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 Cayman Islands Monetary Authority (the "Authority" or "CIMA"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Authority in sufficient time to enable them to take appropriate action. The matters we are required to communicate under ISAs include:

   - Auditors' 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 proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

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 performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 21 August 2025. 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 have read the other information contained in the Authority's annual report and noted that it is materially consistent with information appearing in the financial statements or 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. 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 Chief Executive Officer and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We issued an unqualified audit opinion with an emphasis of matter paragraph in the Auditor General's report on the 31 December 2025 financial statements. The emphasis of matter highlights that the Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff, came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirement to standardise salaries and benefits. At the date of the audit, the standardisation process was still ongoing. Therefore, the potential impact of this requirement was not reflected in these financial statements. The audit opinion was not modified in respect of this matter.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no uncorrected misstatements.

10. 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

11. 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.

12. 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

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

    - Depreciation and amortisation of property, plant and equipment – CI$1,164,667
    - Depreciation of right of use assets – CI$2,824,320
    - Expected credit losses – CI$36,545
    - Defined benefit healthcare - CI$10,685,000
    - Defined benefit pension- CI$9,605,000

GOING CONCERN DOUBTS

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

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Significant internal control and other findings are noted in Appendix 2, along with management's response.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged

with governance of the entity and with management. It is important that management, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

17. 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. When exercising oversight responsibility, those charged with governance should consider the potential for management to override controls or exert other inappropriate influences over the financial reporting process.

18. 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.

19. 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.

20. 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

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

23. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

24. We would like to express our thanks to the staff of the Cayman Islands Monetary 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, CPFA
Acting Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
1	Stocks - Bullion - Currency Reserve	1201		1,567,407.32	Client
	Stocks - Bullion - Currency Reserve	1201	3,504,503.11		
	Bullion Revaluation	6501		36,103.60	
	Bullion Revaluation	6501	36,103.60		
	Circulating Coin Sets Sales	6511	110.32		
	Numismatic Royalties	6512	1,965.25		
	Numismatic Coin Sales	6513	23,044.01		
	Numismatic Gain	6515		1,962,560.04	
	Other Income - Miscellaneous	6601	344.67		
	Numismatic Cost of Sales - Numismatic Coins	7161	1,567,407.32		
	Numismatic Cost of Sales - Numismatic Coins	7161		3,468,399.51	
	Numismatic Cost of Sales - Numismatic Coins	7161		25,464.25	
	Numismatic Cost of Sales - Numismatic Coins	7161	1,926,456.44		
Being entry to book adjustment for numismatic stock as at 31 December 2025.					
2.	Basic Salary	7001	582.00		Client
	Overtime	7002		582.00	
Being entry to correct overtime expense at year end.					

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
3.	CIBC First Caribbean USD Fixed Deposit - Currency	1101	2,828,903.00		Client
	CIBC First Caribbean USD Fixed Deposit - Currency	1101		2,888,852.50	
	CIBC First Caribbean USD Fixed Deposit - Currency	1101	2,888,852.50		
	CIBC First Caribbean USD Fixed Deposit - Currency	1101		2,828,903.00	
	Accrued Interest - Fixed Deposits - Currency Reser	1252	2,964.54		
	Accrued Interest - Fixed Deposits - Currency Reser	1252		56,984.96	
	Interest Income - Currency Reserve - Fixed Deposit	6001	56,984.96		
	Interest Income - Currency Reserve - Fixed Deposit	6001		2,964.54	
Being entry to correct FCIB fixed deposit placement and corresponding accrued interest as at 31 December 2025.					
4.	Other Payables - Custody and Management	4204	1,916.36		Client
	Management Fees - Currency Reserve	7682	1,055.09		
	Custody Fees - Operations	7683		2,971.45	
Being entry to record custody and management fees related accruals related as at year end.					
5.	Leasehold Improvements	2501	8,807.00		Client
	Accruals	4202		8,807.00	
	Accruals	4202		4,597.68	
	Accommodation CAMS charges and Running costs	7061	4,597.68		
Being entry to record lease-related accruals at year-end.					
6.	Defined Benefit Pension - Asset	1651	170,000.00		Client

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
	Defined Benefit Pension - Asset	1651	1,641,000.00		
	Movement in Defined Benefit Pension	7041		170,000.00	
	Remeasurement of Pension Valuation	9001		1,641,000.00	
Being entry to book the 31 December 2025 defined benefit pension liability.					
7.	Post Retirement Benefit Heath Care - Liability	4281	34,000.00		Client
	Post Retirement Benefit Heath Care - Liability	4281		1,515,000.00	
	Post Retirement Benefit Health Care	7013		34,000.00	
	Remeasurement of HC Valuation	9002	1,515,000.00		
Being entry to book 31 December 2025 IAS 19 Post-Retirement Health liability.					
8.	Lease Liability – Current	4251	1,910,487.00		Client
	Lease Liability - Non-Current	4291		1,910,487.00	
Being entry to book current and non-current portions for lease liability.					
9.	Other Income - Miscellaneous	6601		40,193.00	OAG
	Rental - Office and Storage	7091		873,856.00	
	Depreciation - Right-of-Use Asset (ROUA)	8291	725,017.00		
	Interest Expense - Lease Liability	8391	189,032.00		
Being entry to correct expenses lease payment on derecognition of leases relating to Century Yard and Cricket Six offices.					
10.	Other Income - Miscellaneous	6601		333,333.32	OAG
	Professional and Consultancy Services	7081	333,333.32		
Being entry to reclassify court-awarded costs from operating expenses to other income.					
11.	Due to CI Government	4261		5,000,000.00	Client
	Current Earnings	5141	5,000,000.00		
Being entry to book net income to dividend pay-over to the Cayman Islands Government.					

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
12.	Capital Expenditures Reserve	5121		1,456,338.88	Client
	Current Earnings	5141	1,456,338.88		
Being entry to book net income to capital expenditure reserve.					
13.	General Reserve	5101		4,593,308.84	Client
	Capital Expenditures Reserve	5121	4,593,308.84		
Being entry to book amount to other comprehensive income.					
14.	General Reserve	5101		1,327,418.53	Client
	Current Earnings	5141	1,327,418.53		
Being entry to book 2025 net income allocation.					

APPENDIX 2 – 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
Financial Management					
1. Inappropriate Revenue Recognition Policy for Output Revenue. International Financial Reporting Standard 15 (IFRS 15) - Revenue from Contracts with Customers requires revenue to be recognised when, or as, performance obligations are satisfied — that is, when specified outputs are delivered to the customer. Where a purchase agreement defines specific outputs, revenue should be recognised based on actual outputs delivered using	**<u>Risk/Implication</u>** Revenue for a given month could be inaccurate because the level of output delivery is likely not uniform, while revenue is recognized uniformly per month; as such the monthly billing does not reflect actual monthly performance. This increases the risk of material misstatement in output revenue, and related balances. As a result, output revenue may	N	Y	The Authority's business model and the nature of its activities make it more efficient to recognise the Output Funding uniformly per month. The Authority's operating costs are generally monthly fixed costs, and do not vary directly based on the quantity of Outputs delivered. The Output funding is the Authority's main source of income. The Authority's	July 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
the output method, or where the output method cannot be reliably applied, based on cost incurred. The Authority recognised output revenue based on the appropriation amount, allocated on a straight-line monthly basis, rather than by reference to actual outputs delivered or costs incurred. This approach does not reflect the substance of the purchase agreement and is not compliant with IFRS 15.	be overstated or understated in specific months. **Recommendation** Management should align their monthly revenues to the Authority's revenue recognition policy.			other budgeted sources of income are taken into consideration when the Output Funding is being determined by the CI Government ("CIG") during the budget process. The Authority delivers a significant number of types of services to the CIG. Most of these services are jointly delivered by cross-sections of the Authority's Divisions. The Authority takes a risk-based approach in determining the scope, frequency, and intensity of its Activities for all sectors under the Authority's supervisory remit. The	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				Authority considers the regulated entity's risks and those risks identified in the sectoral and national risk assessment to drive the nature and extent of its risk based supervisory activities. As a result of the risk-based approach, it is envisaged that based on risk and context, in some cases, the Authority may realise more/less outputs as compared to the projected budgets. The Authority understands that the projected budget numbers are predominantly based on facts and circumstances that existed at the time of	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				budgeting that may be subject to changes given the evolving regulatory environment. The primary point is that the analysis of the actual output should consider both qualitative and quantitative factors. Different outputs may require additional resources and as such; in applying a risk-based approach to supervision, more resources and time may be required to achieve the reported outputs. Effective 2026 the Authority will revise its revenue recognition policy	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				for output funding, to be based on cost incurred, so that the monthly revenues align with it. For the new 2028 and 2029 budget process, the CIG plans to change from Output to Outcome Reporting. The Authority will work closely with the CIG's Project Management team to streamline the Authority's list of Outcomes and review its costing model.	
2. Errors in lease accounting a) CIMA's leases are a significant, material and pervasive balances and	**Risk/Implication** This is not captured in quarterly financial reports to the Board, which are	N	Y	2.a) In the Authority's annual financial statements and budget documents, the lease payments have been recognised on the balance	2026 QFRs Ongoing

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
amounts in its annual financial statements since IFRS 16 came into effect, requiring lease payments to be recognised on the balance sheet as part of the lease liability and the right-of-use (RoU) asset rather than expensed directly as rent. Continuing management practice involves expensing lease payments as they occur. As a result, the quarterly management accounts are inaccurate as it affects assets, liabilities and expenses. b) IFRS 16 paragraph 26 establishes that the lease liability is measured at commencement of a lease, using the interest rate implicit	relied upon by those charged with governance for strategic decision-making. Strategic decisions based on inaccurate financial data could result in financial losses and missed opportunities to the Authority. **Recommendation** Management should ensure that the finance team updates the lease balances and amounts in its quarterly financial close process. Management should also ensure that the right discount rate is used and not be remeasured			sheet as part of the lease liability and the right-of-use (RoU) asset rather than expensed directly as rent. In making its strategic decisions, the Authority relies upon more than one source. The quarterly management accounts will be updated with the lease balances and amounts, in the quarterly financial close process. 2.b) The correct discount rate was applied to the new 2025 lease for the increased office accommodation. The Heads of Terms was signed in 2022 and the Agreement	Ongoing

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
in the lease of the lessee's incremental borrowing rate. CIMA revises its discount rates annually in its lease workings for existing leases. Such a revision is mandated only when remeasuring the lease liability for modifications, such as changes in scope or lease term as per IFRS 16 paragraph 45(c).	except if required by IFRS 16.			to Lease was signed in 2023. There were variations to the other Cricket Square leases for additional spaces in 2020 and 2021. The Authority has another four leases of lesser value for operations, storage and business continuity purposes. The Authority will revise the discount rate for each lease, only when remeasuring the lease liability for modifications, such as changes in scope or lease term as per IFRS 16 paragraph 45(c).	

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					
3. Non-compliance with Procurement Act (2023 Revision) Section D (i) of Schedule 6 of the Procurement Act (2023 Revision) requires the Chief Executive Officer to ensure that the results of all procurement projects within the public authority are publicly reported in the format and timeframe specified by regulations and policy. In 2025, CIMA outsourced its onsite inspection services to major audit firms. The contracts for these services were awarded to five audit firms	**<u>Risk/Implication</u>** Non-compliance with Procurement Act. **<u>Recommendation</u>** Management should publish contract awards as required by the Procurement Act (2023 Revision).	N	**Y**	Management notes the comments and acknowledges the requirement pursuant to Section D(2)(i) of Schedule 6 of the Procurement Act (2023 Revision) on the CEO to ensure that all procurement projects within the public authority are publicly reported in the format and timeframe specified by regulations and policy. Management also notes that neither CPO guidance nor the relevant legislation provides for an exception from publication except for contracts under	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
amounted to $1,085,898, but CIMA did not publish these awards as required.				the value of CI$ 10,000. However, the nature of CIMA's work, in particular as it relates to onsite inspections, is of a highly confidential nature. In considering whether or not to publish, CIMA carefully weighed the public importance of publishing these contract awards against the need for confidentiality and the extent to which publication could cause unfair or undue damage to CIMA and stakeholders concerned. In doing so CIMA concluded that it would not be in the public interest to publish.	