Office of the Auditor General
CAYMAN ISLANDS

MINISTRY OF CAYMANIAN EMPLOYMENT AND IMMIGRATION

Report to those charged with governance on the 2025 audit.

July 2026

To help the public service spend wisely.

TABLE OF CONTENTS

Introduction 1

Auditor's responsibilities in relation to the audit 1

Auditor's responsibility under International Standards on Auditing (ISAs) 1

Responsibilities of Management and those charged with governance 2

Other information in documents containing audited financial statements 2

Conduct, approach and overall scope of the audit 2

Audit report, adjustments and management representations 2

Significant findings from the audit 3

Significant accounting practices 3

Management's judgments and accounting estimates 3

Going concern doubts 3

internal control matters and significant findings 3

Fraud or illegal acts 3

Significant difficulties encountered during the course of our audit 4

Disagreements with management 4

Any Other Significant Matters 4

Acknowledgements 4

Appendix 1 – Summary of adjusted misstatements 5

Appendix 2 – Summary of unadjusted misstatements 8

Appendix 3 – Internal control matters and significant findings 9

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2025 financial statements of the Ministry of Caymanian Employment and Immigration (the "Ministry"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Ministry in sufficient time to enable them to take 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 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, to which this engagement was subject. 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 Ministry'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 Ministry. We have not reviewed any other documents containing the Ministry'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 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 unmodified audit report on the 2025 financial statements.

9. A summary of audit adjustments made to the financial statements is attached to Appendix 1. Unadjusted misstatements are attached to Appendix 2.

   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

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

11. Accepted accounting principles provide for the Ministry 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 Ministry's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management has made significant judgements and estimates with regards to the following financial statement items:

    - Impairment of property, plant, and equipment - $43,242
    - Useful lives of property, plant, and equipment - See note 1(j) of the financial statements.
    - Expected Credit Losses - $1,012,838

GOING CONCERN DOUBTS

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

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

14. Internal control matters and significant findings are noted in Appendix 3, along with management's response.

FRAUD OR ILLEGAL ACTS

15. 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.

16. They are also responsible for establishing and maintaining controls pertaining to the entity'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 override of controls or exert other inappropriate influences over the financial reporting process.

17. 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.

18. 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.

19. 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

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

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

ACKNOWLEDGEMENTS

23. We would like to express our thanks to the Ministry's staff 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,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/OAG)
1	Doubtful Debt expense	58505	419,489		OAG
	Provision for doubtful debts	12501		419,489	
	Being an additional Provision for Expected credit losses-ECL on receivables				
2	Discounts/Sales Ad	58600		81,250	OAG
	Prior period adjustment	32006	40,625		
	Postal Rental Fees	42301	40,625		
	Correction for duplicated reversal of older persons' discount-Postal Services				
3	Surplus Repayment	32007	12,087,643		The Ministry
	Surplus Payable	23422		12,087,643	
	Recognising Surplus payable for 2025				
4	Accounts Receivable	12003		75,855	OAG
	Warehousage	42122	75,855		
	Correction of the CBC invoice, which was posted incorrectly as $195,708 instead of $ 120,215 per CIMS.				
5	Accruals - Other	20150	40,000		OAG
	Settlement of Case	58604		40,000	
	Reversal of legal provision for cases settled with no costs				
6	Gain/Loss on Derecognition of Assets	59006	858,452		The Ministry
	Other Receivables	12012		858,452	
	Write off of long outstanding related party balances.				
7	Trade Receivable - S	12103		596,250	OAG
	Provision for Doubtful Debts	12501	432,180		

	Capital Withdrawal	35002	164,070		
	Transfer of CBC and other receivables to MDAHA				
8	Creditor owed to other government entities	23410	1,153,819		OAG
	Capital Withdrawal	35002		1,153,819	
	Accrual -Annual Leave	22106	243,134		
	Movement in Annual L	50150		243,134	
	Movement in Annual L	50150	108,065		
	Capital Withdrawal	35002		108,065	
	Correction of CBC and Postal leave and comp time expense, and net cash transfer to MDAHA as a part of the CBC and Postal services transfer.				
	Being corrected for leave and other accruals				
9	Capital Withdrawal	35002	26,263		The Ministry
	Movement in Annual L	50150		26,263	
	Accrual -Annual Leave	22106		61,795	
	Movement in Annual L	50150	61,795		
	Being corrected of the CBC and WORC leave accrual.				
10	Movement in Annual L	50150	131,190		OAG
	Capital Withdrawal	35002		131,190	
	Being corrected of the CBC and WORC leave accrual.				
11	*Movement in Annual L*	50150	480,409		OAG
	Accrual -Annual Leave	22106		210,785	
	Capital Withdrawal	35002		269,624	
	To correct errors in leave provision as of December 31st 2025				
12	Creditor owed to other government entities	23410		346,125	OAG
	Capital Withdrawal	35002	346,125		
	To correct the net cash transfer amount as a result of the transfer of CBC and Postal Services to MDAHA				
13	Accounts Receivable	12003		539,131	OAG
	Provision for Doubtful Debts	12501	539,131		

	Transfer of CBC & Postal services receivables to MDAHA				
14	Rights-of-use Assets	16105	3,165,217		OAG
	Accumulated Depreciation-Right-of-use assets	16112	451,680		
	Short-Term Lease Liabilities	20110	3,647,908		
	Long-Term Lease Liabilities	29704	2,074,078		
	Prior Period Adjustment	32006	419,138		
	Capital Withdrawal	35002	272,585		
	Lease of Sites or Business premises	58001	1,289,640		
	Lease Interest	58200	78,231		
	Depreciation Rights-of-use assets	60206	480,576		
	Rights-of-use Assets	16105		2,905,486	
	Accumulated Depreciation-Right-of-use assets	16112		418,748	
	Short-Term Lease Liabilities	20110		2,399,793	
	Long-Term Lease Liabilities	29704		3,327,185	
	Prior Period Adjustment	32006		788,621	
	Capital Withdrawal	35002		280,055	
	Lease of Sites or Business premises	58001		1,050,142	
	Lease Interest	58200		96,963	
	Depreciation Rights-of-use assets	60206		612,060	
	Being corrected of IPSAS 43-Leases as a result of OAG review of MCEI workings				
	Total		**29,127,922**	**29,127,922**	

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Number	Description	Assets	Liabilities	Equity	Income	Expenses
1	Balances not transferred to MDAHA as part of the transfer of CBC and Cayman Islands Postal Services.	(154,302)	144,346	9,956	-	-

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. Non-compliance with the Procurement Regulations (2022 Revision) The business case for the following service was not approved by the entity procurement committee (EPC) and the chief officer. This contravenes section 3 of the Procurement Regulations (2022 Revision) (the Regulations), which requires procurements for goods or services with a value between $100,000 and $250,000 to be approved by both the EPC and the Chief Officer. • Software development services for the new jobs & Online Payment Services- $127,820	**Risk/Implication:** The Ministry may not obtain value for money in procuring goods and services. Without adhering to the Regulations, there is an increased likelihood of: • Non-competitive pricing. • Awarding contracts to unsuitable vendors • Undetected fraud, favouritism, or conflicts of interest. **Recommendation:**	N	**Y**	This particular case was one where a service contract for Technical Support on Software eventually exceeded the limit in hindsight. Steps have been taken to reduce the possibility and identify these before they reach this stage.	Already implemented

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	The Ministry should ensure all procurements are undertaken in accordance with the requirements of the Procurement Act (2023 Revision) and Regulations.				
Financial Management					
2. The Ministry's revenue recognition method for some output categories is inconsistent with IPSAS The Ministry billed output revenue in equal monthly instalments for four of its seven output categories. These are CBC 2 - Border control services; WOC 3 – WORC Services; MHA 1 - Policy Advice to the Minister and POS 2 - National Mail Service – All Islands. This method is inconsistent with IPSAS 9, *Revenue from Exchange Transactions,* which requires entities	**Risk/Implication:** Output revenue in the financial statements may be misstated. The Ministry cannot provide value for money for the funding it receives from the Cabinet if it bills the Cabinet for services it has not provided. **Recommendation:** The Ministry should ensure it accounts for output revenue in	N	**Y**	One shoe does not fit all in this case. Each output is billed based on what is reasonable. The management agrees that some streamlining is necessary, but the same methodology will not apply to all services. For example; In 2009 the Fire department had an output billing based on the number of fires they responded to. This was highly impractical because if there were no fires, fire officers could not get paid.	January 2028

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
to recognise revenue from providing services based on: • Services performed to date as a percentage of total services to be performed. • Recoverable costs if the percentage of completion of services cannot be reliably estimated.	accordance with the requirements of IPSAS 9			The solution was not to start fires but bill based on the Capacity to respond to fires. This coupled with emphasis on fire prevention is what save lives and property. In the case of the Ministry, we need the capacity to implement the Minister's policies. How many policy papers written is irrelevant because it does not recognize the differences complexities or subject matter.	
3. Expired and month-to-month leases. The Ministry does not have any lease agreements for some of the premises it occupies. In addition, the leases for several premises it occupies have expired. Below is a summary:	**Risk/Implications** The Ministry has no legal protection governing the terms of occupancy, including rental rates, notice periods, or rights of access. This exposes the Ministry to the risk of abrupt termination of occupancy, unexpected rent increases, and disputes with landlords	N	**Y**	This is not unusual, especially before an election. The Lands and Survey Department is responsible for renewing all Government Leases in conjunction with the Ministry. We will work more closely with them to ensure that leases are as current as	September 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
• Six leases expired before 1 January 2025 or during the year. • The Ministry does not have lease agreements for three premises. • Seven leases have open-ended lease expiry dates. In total, 16 of the Ministry's leases were on a month-to-month basis during the year. The Ministry incurred $259,000 in rent for these 16 premises in 2025.	that cannot be resolved under an agreed contractual framework. **Recommendation** The Ministry should ensure it has valid lease agreements for all premises it occupies.			possible. However, negotiations can take much longer than expected and the Government will always explore options rather than renew leases. In addition some of those identified as leases are for storage including large volumes of documents. Those will most likely remain month to month.	