Office of the Auditor General
CAYMAN ISLANDS

AUDITORS OVERSIGHT AUTHORITY

Report to those charged with governance on the 2025 audit

July 2026

To help the public service
spend wisely

Office of the Auditor General
CAYMAN ISLANDS

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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 Auditors Oversight Authority (the "Authority"). International Standards on Auditing (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 financial statements for 2025 that we consider are 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

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 which came to our attention as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on 17 September 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 to consider whether such information is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Authority. We have not reviewed any 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 Chairman of the Board of Directors and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an unmodified audit opinion with an Emphasis of Matter paragraph on the Authority's 31 December 2025 financial statements.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. No uncorrected misstatements were noted at the conclusion of the audit.

10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 02 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. There were no matters which required management to make significant judgments or which required significant estimates.

GOING CONCERN DOUBTS

14. In the course of our audit the legislation to wind up the AOA in 2026 was passed in Parliament, although not yet in force (AOA Amendment Bill). Prior to the formal passage of the AOA Amendment Bill, Management revised the financial statements to reflect that the going concern basis of accounting was not appropriate for the year ended 31 December 2025.

15. In addition, the Government has not included any funding for the Authority in its 2026 and 2027 budgets, but the Authority expects to be able to fund its current level of operations from existing resources until it actually ceases operations.

16. The published bill also includes the validation of the acts passed by the Board of Directors of the Authority.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

17. We have previously reported that the appointments of independent members of the Authority's Board of Directors have expired, but have continued functioning as a Board of Directors. The AOA Amendment Bill also included a provision that validates all the actions of the Board of Directors. As such, we deemed this matter resolved.

18. Also, as reported in prior years, the Authority failed to adhere to the revenue recognition policy in 2025. Since the Authority will not receive any funding in future periods, we have deemed this matter resolved.

FRAUD OR ILLEGAL ACTS

19. 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, with the oversight of those charged with governance; place a strong emphasis on fraud prevention and fraud deterrence.

20. 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 responsibility, those charged with governance should consider the potential for management override of control or other inappropriate influence over the financial reporting process.

21. 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.

22. 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.

23. 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

24. No significant difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

26. No other matters apart from those already discussed above are reportable.

ACKNOWLEDGEMENTS

27. 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,

Winston Sobers, FCCA, CFE
Acting Auditor General (Financial Audit)

Office of the Auditor General
CAYMAN ISLANDS

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

AJE	Date	Name	Account No	Debit CI$	Credit CI$	Proposed by
1	12/31/ 2025	Government of the Cayman Islands (Output Revenue)	46001	40,732.40		OAG/Authority
	12/31/ 2025	Unearned Revenue	20170		40,732.40	
		To adjust for surplus for the year to unearned revenue.				
2	12/31/ 2025	Other Operating Expenses	55506	10,000.00		Authority
	12/31/ 2025	Accruals Audit Fees	20163		10,000.00	
		To accrue for audit fees increase.				
3	12/31/ 2025	Depreciation Computer Hardware	60009	1,281.00		
	12/31/ 2025	Accumulated Depreciation: Property HP	17112		1,281.00	Authority
		To adjust for the disposal of assets due to adopting the basis for accounting other than going concern				
4	12/31/ 2025	Personnel Cost: Severance	50019	6,800.00		
	12/31/ 2025	Accruals: Other	20161		6,800.00	Authority
		To accrue for future expenses as a result of adopting the basis for accounting other than going concern				
5	12/31/ 2025	Personnel Cost: Pension	50019	816.00		Authority
	12/31/ 2025	Accruals: Other	20161		816.00	
		To accrue for future expenses as a result of adopting the basis for accounting other than going concern				
6	12/31/ 2025	Unearned Revenue	20170	18,897.00		Authority
	12/31/ 2025	Government of the Cayman Islands	46001		18,897.00	
		To reverse part of AJE 1 above after further adjustments during the audit				
				78,526.40	**78,526.40**	