CAYMAN ISLANDS PARLIAMENT

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

JULY 2026

To help the public service spend wisely

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Office of the Auditor General
CAYMAN ISLANDS

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2025 financial statements of the Cayman Islands Parliament (the "Parliament"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of Parliament 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 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 Parliament'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 Parliament. We have not reviewed other documents containing Parliament'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 have issued an unmodified audit report on the 31 December 2025 financial statements.

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

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 27 April 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

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

12. Generally accepted accounting principles provide for Parliament 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 Parliament'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. Management has made judgments and estimates with regard to the following financial statement items:

- Useful lives of property, plant and equipment and intangible assets – $74k.
- Expected Credit Losses – $61k

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 Parliament's ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Internal control matters and significant findings are noted in Appendix 3, 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 Parliament'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 Parliament'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	Accounts Receivable	12003		426,698.66	OAG
	Trade Payables	20100	426,698.66		OAG
	To correct Executive personnel costs recorded in Parliament (entity).				
2	Long service leave	22100	3,052.35		Client
	Movement in Annual Leave	50150		3,052.35	Client
	To adjust 2025 staff leave balance				
3	Provision for Doubtful	12501	7,662.64		OAG
	Bad Debt Provision	58505		7,662.64	OAG
	To correct an error in the ECL calculation				
4	Prior Period Adjustment	32006	11,658.46		OAG
	Severance Pay	50062		11,658.46	OAG
	To correct 2024 severance pay accrual				
5	Surplus Payable	23422		10,715.00	OAG
	Surplus Repayment	32007	10,715.00		OAG
	To correct Surplus payable due to revisions and adjustments				
	Total		**459,787.11**	**459.787.11**	

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1.	To record impairment of a Human Resource Management system project that was started in 2021 and not completed to date.	9,811.12	-	--	-	9,811.12
	Understated/ (Overstated)	**(9,811.12)**	**-**	**-**	**-**	**9,811.12**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
Non-compliance with Acts and Regulations					
1. Non-compliance with Procurement Act (2023 Revision) Section 2 of Schedule 1 of the Procurement Act (2023 Revision) requires public bodies to undertake competitive processes in procuring goods and services. Parliament has not undertaken a competitive procurement process for recording and transcription services for proceedings of the House of Parliament. Parliament paid its	<u>**Risk/Implication**</u> Non-compliance with Procurement Act. <u>**Recommendation**</u> Management should comply with the Procurement Act (2023 Revision) and the Procurement Regulations (2022 Revision) in	N	Y	Management agrees with the recommendation. However, the goods and services supplied by the vendor qualified as a direct award. There was an oversight in not	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
service provider about $116,000 between 2023 and 2025.	acquiring goods and services.			documenting the direct award approval/process properly. Management will ensure this is actioned at the next contract renewal in March 2027.	
Value for Money					
2. Delays in preparing Hansards Hansards are verbatim transcripts of the proceedings of meetings of the House of Parliament, its Finance Committee, and other	**Risk/Implication** Hansards will not be available to users on a	N	Y	Productions of 1 day's recording take several days to complete. The	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
select Committees, and of public hearings of the Public Accounts Committee and the Youth Parliament. Several Hansards produced in 2025 were for Parliament and Parliamentary Committee sittings dating back to 2017. In addition, 48 of the 52 Hansards that Parliament had yet to prepare as at 31 December 2025 are for sittings held in 2017-2020, i.e., have been delayed for over five years.	timely basis if they are not prepared and published within reasonable timeframes. **Recommendation** Parliament should prepare and publish all outstanding Hansards within a reasonable timeframe.			Hansard team is behind in a number of recordings from 2017-2020 because there are only three (3) staff who are tasked with keeping the current records transcribed and working on the older recordings as time permits. They are working as fast as possible. The only other	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
				solution is to hire additional staff to assist with the backlog. We will endeavor to have the backlog of reports completed by the end of December 2026.	