PORTFOLIO OF THE CIVIL SERVICE

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

AUGUST 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 Portfolio of the Civil Service (the "Portfolio"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Portfolio 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 read the other information contained in the Portfolio's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or our knowledge of the operations of the Portfolio. We have not reviewed other documents containing the Portfolio'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. There were no uncorrected audit 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 27 April 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

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

12. Generally accepted accounting principles provide for the Portfolio 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 Portfolio's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

    - Useful lives of property, plant and equipment and intangible assets – **$382k**
    - Expected Credit Losses – **$241k**

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 Portfolio'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 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 Portfolio'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 Portfolio'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 MISSTATEMENT

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
1	Debtors Outputs Sold to Cabinet *(Revenue adjustment – reversal of incorrect Q4 posting)*	12301 46001	219,667	(219,667)	OAG
2	Doubtful Debt Expense Provision for Doubtful Debt *(Expected Credit Loss allowance-2025 year end adjustment in line with IPSAS 41)*	58505 12501	72,551	(72,551)	OAG
3	Accounts Receivable Internal Audit Service *(Recognition of Internal Audit Service revenue for FY 2025)*	12003 42094	92,477	(92,477)	OAG
4	Surplus Payable	23422	153,310		OAG

	Surplus Repayment *(Adj- 2025 Surplus Payable after audit adjustments (This is adjusted with the net adjustments that hit P&L i.e. impacted profit for the year))*	32007		(153,310)	
5	Contributed Capital Debtors *(Adjustment to recognize Equity Injection reimbursement due to Cabinet for non-qualifying PPE items)*	35001 12301	51,086	(51,086)	OAG
6	Computer Software WIP-Software *(To capitalize cost of My-VISTA modules in use)*	17120 17016	1,054,165	(1,054,165)	OAG
7	Prior Period Adjustments Computer Software Maintenance WIP – Software *(To expense My-VISTA maintenance and fixing expenses)*	32006 54351 17016	67,836 11,784	(79,619)	OAG
8	Depreciation Computer Software Accumulated Depreciation	60010 17125	114,677	(114,677)	OAG

	(To recognize My-VISTA 2025 amortisation expense)				
9	Prior Period Adjustments Accumulated Depreciation *(To recognize My-VISTA prior years amortisation expense)*	32006 17125	183,991	(183,991)	OAG
10	Rights-of-use Assets Long Term Lease Liabilities *(GTFC Lease workings adjustment- ROU asset recognition after lease extension impact)*	16105 29704	286,865	(286,865)	OAG
11	Accumulated Depreciation Rights of Use Assets Opening Balance- Net worth *(GTFC Lease workings adjustment- prior period depreciation recognition after lease extension impact)*	16112 32004	13,617	(13,617)	OAG
12	Opening Balance- Net worth Long Term Lease Liabilities *(GTFC Lease workings adjustment-prior period interest expense recognition after lease extension impact)*	32004 29704	44,735	(44,735)	OAG
13	Accumulated Depreciation Rights of Use Assets	16112	4,952		OAG

	Depreciation Rights of Use Assets *(GTFC Lease workings adjustment-2025 depreciation adjustment after lease extension impact)*	60206		(4,952)	
14	Entity Lease Interest Long Term Lease Liabilities *GTFC Lease workings adjustment- Interest expense recognition after lease extension impact*	58200 29704	19,568	(19,568)	OAG
Grand Total			**2,391,281**	**(2,391,281)**	

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
Non-compliance with Acts and Regulations					
1. **<u>Non-compliance with the Procurement Regulations (2022 Revision)</u>** The Procurement Regulations (2022 Revision) require that all direct award requests are formally documented (Section 5(2)), approved by the Chief Officer for procurements below $100,000 (Section 5(3)), and publicly disclosed for awards above $10,000 (Section 5(4)). OAG identified several instances of non-compliance across these requirements:	**<u>Risk/implication</u>** The absence of documented justification increases the risk that direct awards are used inappropriately without sufficient rationale. Failure to obtain required approvals exposes the Portfolio to unauthorised procurement activity, while lack of public disclosure limits	No	Y	Management accepts the recommendations and will implement stricter controls to ensure compliance with the procurement act.	December 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
- Three direct awards totaling $192,415 relating to election expenditure were not supported by approved written justifications. - A direct award valued at $30,988 was not approved by the Portfolio's Chief Officer. - Two direct awards, valued at $30,988 and $34,249 were not publicly disclosed on *Bonfire*, the website designated by the Central Procurement Office within 30 days of the contract award or purchase date.	accountability. **Recommendation** Management should; - Ensure all direct awards are supported by formal written justification and are appropriately approved. - Implement a formal tracking mechanism to ensure timely public disclosure of all qualifying procurements.				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	- Provide periodic training to staff involved in procurement.				
Financial Management					
2. <u>Deficiencies in PoCS' budgeting process</u> PoCS operates under an output-based budgeting framework, where Cabinet funding is linked to delivery of specific outputs within the financial year. Audit analysis showed that as of September 2025, seven output groups had already invoiced over 90% of their approved annual budgets. Despite this,	**<u>Risk/implication</u>** The Portfolio's budgeted cost per output is overstated. Where budget assumptions do not accurately reflect the true cost of delivering outputs, there is a risk that the approved		Y	Management notes the recommendation to improve the accuracy of output targets when preparing budgets. Each cycle, PoCS works to develop realistic targets by reviewing historical trends and coordinating with departments. However, some HODs prefer to adopt more conservative deliverable estimates, which can result in outputs being drawn down more	2028/29 Budget Cycle

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
PoCS continued delivering outputs under these categories in the final quarter without the ability to bill for additional funding. This indicates that initial budget assumptions and output targets were understated and not aligned with actual service demand and delivery patterns.	budget does not provide a reliable basis for accurate performance monitoring. **Recommendation** Management should enhance the budgeting process by: - Using historical data and demand trends to develop more realistic output targets. - Strengthening coordination			quickly when combined with our billing methodology. PoCS has used its current billing methodology for more than a decade, including through multiple audits. To avoid unnecessary complexity, one billable output measure is selected for each output. It is not unusual for certain output groups to be drawn down before year-end; this simply increases the bank balance, which is then used to continue delivering outputs and meeting expenditure commitments without requiring additional funds from Cabinet.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	between finance and operational teams during budget preparation.			Controls are in place to ensure overbilling cannot occur within any output group. Finally, following completion of our annual audits, any surplus generated is returned directly to the Org 40 bank account, effectively restoring a break-even position each year. Notwithstanding, PoCS will work more closely with HODs to further improve the accuracy of setting output targets.	
3. <u>Lack of evidence of review and approval of journal entries.</u>	**<u>Risk/Implication</u>**	No	Y	Management acknowledges the importance of maintaining a robust audit trail for all manual journal entries. While we currently maintain	December 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
The Portfolio's finance team prepares and posts several manual journal entries as part of their day-to-day responsibilities. While management indicated that reviews are performed, these are conducted informally (e.g., verbal confirmation or face-to-face discussions) and are not supported by documented evidence such as sign-offs or system audit trails. As a result, there is no verifiable record demonstrating that journal entries have been independently reviewed and approved.	There is an increased risk of: - Undetected errors. - Unauthorised or inappropriate adjustments. - Potential manipulation of financial results. **Recommendation** Management should formalise the journal entry review process by:			supporting documentation for the processed journals, we recognise that our existing review and approval process needs a formalized, written framework and consistent evidence of authorisation. We will liaise with Ministry of Finance as to financial system's workflow capabilities to record both the preparer and the reviewer that would ensure an immutable audit trail is captured within the system itself. However, if not possible, or in the interim we will seek to obtain	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	- Requiring documented evidence of review and approval for all manual journal entries. - Ensuring segregation of duties between preparers and reviewers. - Maintaining audit trails that clearly identify the reviewer and date of approval.			electronic signatures (via PDF) from the journal preparer and reviewer.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	- Conducting periodic internal reviews to ensure compliance with procedures.				
4. <u>Long outstanding payables</u> The audit identified that amounts collected on behalf of the PoCS Executive have not been remitted in a timely manner. Balances totaling $192,032 remain outstanding as at year-end, with $155,540 (81%) relating to amounts	**<u>Risk/Implication</u>** Misstatement of liabilities and cash balances. Long-outstanding balances indicate deficiencies in reconciliation and		Y	Management accepts the audit finding and will work on clearing outstanding AP items, along with implementing quarterly reviews going forward.	September 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
dating back to 2021. These balances primarily relate to marriage license fees and healthcare reimbursements payable to PoCS Executive.	monitoring processes, increasing the risk that errors or omissions remain unresolved. **Recommendation** Management should: - Perform a detailed reconciliation and pay all outstanding balances promptly. - Establish timelines and procedures for				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	regular remittance of collected funds. - Implement periodic reviews of payable accounts to identify and resolve long outstanding items.				
5. <u>Inventory count differences (temporary passports)</u> OAG attended the year-end inventory count of temporary passports on 27	**<u>Risk/Implication</u>** The existence of long-outstanding differences and post-year-end	No	Y	Management accepts the audit finding regarding the passport inventory variance and appreciates the oversight brought by the Audit team, which highlighted the need	Effective immediately

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
January 2026. During the audit, OAG reconciled the physical count to inventory records. A discrepancy of 159 passports was identified, with 2,910 passports physically counted compared to 3,069 passports recorded in the inventory schedule as at 31 December 2025. Management subsequently performed a reconciliation of the variance and identified the following: - 100 passports relate to a spoilt series held at the Governor's Office, arising from a printing error. These passports were segregated and retained; however, they were not appropriately reflected in the	adjustments indicates that inventory records are not being maintained or reconciled on a timely and consistent basis. Given the sensitive nature of passports, the Portfolio is exposed to a significant risk of loss, theft, or unauthorised use of official documents. **Recommendation** Management should perform a comprehensive,			for enhanced tracking controls. To correct this issue and prevent future occurrences, we have implemented a rigorous "roll-forward/roll-back" tracking protocol to cleanly bridge any timing gaps between year-end counts and audit verifications. Furthermore, we have instituted additional dual-control checks within our monthly reconciliation workflow, systematically cross-referencing physical stock against system issuance logs and tightened segregation and logging controls for defective or spoilt batches to ensure they are formally accounted for and never conflated with active inventory.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
inventory records as at December 2025. - 46 passports relate to differences between issued passports and inventory records, with variances dating back to 2022, indicating that discrepancies have accumulated over multiple periods without resolution. - 13 passports relate to usage between 12 December 2025 and 27 January 2026, reflecting movements occurring between the reporting date and physical count date, which were not adequately accounted for in the year-end records.	independently reviewed reconciliation of the full variance, with all differences validated and promptly adjusted in the records. Management should also perform timely reconciliations between physical stock and inventory records and investigate and correct all identified discrepancies.				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Value for Money					
6. <u>No justification for additional costs relating to the my-Vista project</u> The Government's Procurement Policies and Procedures (the Policies) require entities to prepare business cases justifying contract modifications or extensions. For Government Ministries and Portfolios, these business cases should be approved by the Chief Officer. The Policies also require entities to report increases in contract value over 15% to the Central Procurement Office (CPO), the Entity Procurement	**<u>Risk/Implication</u>** Without documented justification, there is an increased risk that the additional funding was approved without adequate scrutiny, and that the additional costs will not provide value for money. **<u>Recommendation</u>**	No	Y	Management acknowledges this point and has already taken steps to rectify. CPO was engaged in Q1 of 2026 and an updated business case was submitted via EPC and CO approval obtained for a one-year bridge contract. PoCS is currently compiling the documentation for the PPC's review of a 5-year contract. Additionally, PoCS will update its internal monitoring to flag contract variations nearing the 15% threshold, ensuring all future	December 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Committee (EPC) and the Public Procurement Committee (PPC). OAG noted the Portfolio has extended the timeline to complete the on-going development of my-VISTA, a Human Resource Management System for the civil service by two years, with an associated budget increase of approximately $192,000 per year over the extension period. The overall increase of $384,000 represents a 25% increase in cost compared to the Portfolio's estimate of $1,550,000. The Portfolio did not prepare a business case justifying the extended timeline or additional costs. In addition, the	Management should; - Prepare and approve a revised business case for all significant project changes. The business cases should include updated cost-benefit analysis and expected outcomes. - Ensure formal approval of changes at the appropriate			approvals and committee notifications are completed proactively. PoCS wishes for the auditors to note the following: 1. Although the baseline project timeline was established at 5 years, the operational lifecycle of the product is projected to be at least 8 to 10 years. As a result, costs would have extended beyond the contractually stated value in any event. 2. The CPO and EPC have already been briefed on these changes. Going	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Portfolio did not inform the CPO, EPC and PPC about the changes in cost.	governance level. - Inform the CPO, EPC and PPC of all changes in cost that exceed the set threshold.			forward, this variance will be mitigated as the product transitions fully into operations and the implementation phase officially concludes.	