OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS

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 Office of the Director of Public Prosecutions (the "Entity"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Entity 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)

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

4. 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

5. 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 "Entity'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 Entity. We have not reviewed other documents containing the Entity's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

6. 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 Chief Financial 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

7. We have issued an unmodified audit report on the 31 December 2025 financial statements.

8. No audit adjustments were made to the financial statements.

9. 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

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

11. Generally accepted accounting principles provide for the Entity 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 Entity's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. 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 (depreciation and amortisation) – **CI$ 65,000**
- Useful life of the right-of-use asset (Depreciation for right-of-use) - **CI$ 331,000**
- Finance costs (right-of-use) - **CI$ 73,000**
- Expected Credit Losses (revisions to loss allowance) – **CI$ 63,000**

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 Entity'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 1**, 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 to override 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 staff of the Office of the Director of Public Prosecutions 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 – 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					
Inappropriate Use of Exceptional Circumstances for Direct Awards Section 5(1)(k) of the Procurement Regulations permits direct awards for legal services in exceptional circumstances for the purpose of providing legal advice, opinion or representing an entity involved in litigation, arbitration, mediation or any other legal proceedings. During our audit of legal expenses, we identified 7 direct awarded contracts	**Risk/Implication** There is a risk that the Entity's non-compliance with the Procurement Regulation leading to failure to demonstrate and waste of public funds. Furthermore, the entity may become vulnerable if those specific counsels become	**Y**	Y	Each case requiring external counsel must meet the necessary threshold of being exceptional – in order of priority and in all cases in 2025, this has been due to (a) expertise or skills are required which are not readily available in-house, (b) The case is particularly sensitive in nature and (c) the case involves a gang-related	Ongoing

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
with a 2025 total cost of $168,500 for legal services, using this justification. The exceptional circumstances noted on the direct awards justification of the Entity are: i. The case involves an appeal to the Privy Council in the UK ii. The case involves a gang-related prosecution or a protected witness iii. The case is particularly sensitive in nature iv. Expertise or skills are required which are not readily available in-house. However, the Entity did not demonstrate why and how these	unavailable or change their rates. **Recommendation** The Entity should immediately adopt a more appropriate procurement approach, such as a framework agreement or a pre-qualified panel of legal counsel/firms or contracting through competition.			prosecution or a protected witness. Each case will require particular skills of an advocate. It would be very difficult to publish or provide a panel of counsel as decisions to instruct counsel have to be made on an ad hoc basis (ie counsel with particular skills at prosecuting child death related murder).	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
procurements were exceptional, given the nature of its operations, in which there is always going to be a need for legal services for such cases, nor did it explain how no other suppliers/counsel could perform the tasks. Furthermore, we noted that some suppliers (legal counsels) have been used by the entity in prior periods for different cases, which raises a question about the appropriateness of the 'exceptional circumstances' justification. Upon reviewing the direct award justification form and discussing it with the Procurement Office on July 3, 2026, OAG concluded that the basis					

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
for a direct award justification was not satisfactory.					
Lack of justification for direct awards Section 5(2) of the Cayman Islands Government procurement regulations requires that every direct award be in writing and supported by a relevant basis for direct sourcing. The Entity awarded the following contracts directly without proper written justification or seeking quotes from other suppliers: ➢ Forensic services for a trial of $23,763 ➢ Conference entertainment night of $14,000	**Risk/Implication** The entity does not comply with Section 5(2) of the Procurement Regulations, which may result in a failure to demonstrate value for money and the waste of public funds. **Recommendation** The Entity should immediately ensure that there is a justification for a direct award in line	**Y**	Y	The forensic services for trial ($23,763) was a fee submitted by an expert witness. Appropriate terms of instruction had not been put in place which would have explained this fee. Tighter controls are now in place to ensure that this type of event does not repeat. The $14,000 expense was part of the IAP Regional Conference	2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	with the Procurement Regulations before initiating a procurement process.			which the Office hosted in November 2025. All vendors were Caymanian. The particular expense was to expose the international delegates to a Caymanian cultural feast of music. It was impossible to identify any other vendor at similar or comparative cost.	
Lack of approval to retain surplus payable from prior years Section 39(3)(f) of the Public Management and Finance Act (2020 Revision) requires that an Entity may	**Risk/Implication** The Office is not in compliance with Section 39(3)(f) of the Public	**Y**	Y	Recommendation accepted.	2026

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retain part of its operating surplus as is deemed by the Minister of Finance. On 22 November 2022, the Entity requested the Minister of Finance to retain a surplus of $583 thousand as at 31 December 2025 to avoid cash flow challenges. However, despite several follow-ups by the Entity, no approval had been received as at year-end nor as at the time of our review.	Management and Finance Act. **Recommendation** Management should officially engage with the Minister of Finance for formal approval to retain the surplus as required by law.				
Failure to publish contract awards on the Cayman Islands Government procurement portal (Bonfire) Section 19 (1) of the Procurement Act requires that an entity publish a notice of the award of the procurement contract on the website designated by the Central Procurement Office within	**Risk/Implication** The entity is not in compliance with Sections 19(1) and 19(4) of the Cayman Islands Government procurement regulations,	**Y**	Y	Procurement publications for the 2025 financial year were published on the procurement portal (Bonfire) on 15th May, 2026.	2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
thirty days of the entry into force of the contract. Further, Section 19(4) requires that an entity publish a notice of an award where the total procurement value is less than $10,000 within 1 year of the award. The Office of the Director of Public Prosecutions did not publish any of the contracts awarded to vendors/suppliers within the required timelines in the year.	thereby reducing transparency and accountability to key stakeholders. **Recommendation** Management should immediately ensure that the contract awards are published on the procurement portal (Bonfire) within the stipulated timelines.			Management accepts the recommendation.	