PORT AUTHORITY OF THE CAYMAN ISLANDS

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

MAY 2026

To help the public service spend wisely

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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 Port Authority of the Cayman Islands (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 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)

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 the Authority'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 Authority. We have not reviewed 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 Port Director on 21 August 2025 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 as **Appendix 1**. A summary of unadjusted misstatements is attached as **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 30 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. Management has made judgments and estimates about the following financial statement items:

- Impairment of property, plant and equipment – **CI$ 0**
- Useful lives of property, plant and equipment (Depreciation & Amortization) – **CI$ 2,039,982**
- Expected Credit Losses – **CI$ 427,121**
- Provisions and contingent liabilities – **CI$ 0**
- Actuarial valuations
    - Net Liability – **CI$ 48,702,000**
    - Discount rates – **5.85%**
    - Defined benefit expense – post-employment health care – **CI$ (3,994,000)**
    - Effect of changes in financial assumptions **OCI** – **CI$ 6,715,000**, as disclosed in Note 28 of the financial statements
    - Nature of assumptions that changed, including:
        - active employee claims experience
        - the retirement age table used by the Cayman Islands Government is now used, compared to previously using a retirement age table specific to the Port Authority.
        - Insurer administration from the prior period is now included but was previously excluded from the calculations.

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 Authority's ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Significant internal control and other relevant 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 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. 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 staff of the Port Authority of the Cayman Islands 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

	Acc No.	Acc. Description	Dr.	Cr.	OAG/PACI
1	01-17100-000-00	Prepaid Insurance	14,828.81		OAG
	01-76000-110-00	Insurance - Operations Day / Night		11,269.90	
	01-76000-130-00	Insurance - Operations Cruise / Security		2,965.76	
	01-76000-200-00	Insurance - Finance		444.86	
	01-76000-300-00	Insurance - Administration		148.29	
		Reducing Insurance expenses per the RMU Schedule			
2	03-71030-100-00	Repairs & Maintenance Forklifts	9,346.84		OAG
	03-18600-000-00	Inventory of Spare Parts - Forklift		9,346.84	
		To book forklift parts usage for 2025			
3	03-71050-100-00	Repairs and Maintenance Crane	9,362.90		OAG
	03-18500-000-00	Inventory of Spare Parts - Crane		9,362.90	
		To book crane parts usage for 2025			
4	01-78100-113-11	Depreciation - H/D Plant and Vehicles	16,334.00		
	01-12200-000-11	Acc. Deprec. Plant and Vehicles-H/D Dock		16,334.00	OAG
		To record Konecrane depreciation for December 2025			
5	01-30100-000-00	General Reserve	12,799.50		OAG
	01-16150-000-00	Miscellaneous Receivables		12,799.50	
		To correct the Miracle Brokers' refund for FY2024, storage fees were overcharged			

	Acc No.	Acc. Description	Dr.	Cr.	OAG/PACI
6	01-16150-000-00	Miscellaneous Receivables	20,638.82		OAG
	01-15370-000-00	R.B.C. CI$ Fixed Asset T/D		20,638.82	
		Reclass-interest receivable on Credit Union Deposit			
7	01-21000-000-00	ESCROW - TENANT DEPOSITS = RWC	26,998.00		OAG
	01-62370-000-02	Rental Income - RWT Shops		26,998.00	
		To reclassify -Deposit to rent Income to offset outstanding rental amounts previously W/Off			
8	01-72100-300-00	Professional Fees - Administration	21,145.82		OAG
	01-19000-000-00	Work in Progress - Capital Assets		21,145.82	
		Reclassification of Stantec consulting costs to professional services fees from WIP			
9	01-10200-000-11	Plant and Vehicles- H/D Dock	29,933.98		OAG
	01-20050-000-00	Purchase Accrual		29,933.98	
		To record PPE Yamaha Outboards, and set up payable for the 50% outstanding amount			
10	01-70050-120-00	Staff Training - Night Operations	29,872.50		OAG
	01-71050-123-11	Repairs and Maintenance Crane H/D		29,872.50	
		To reclassify additional technical training Konecranes			
11	01-70020-200-00	Pension - Finance and Facilities	5,234.15		
	01-70020-300-00	Pension - Administration	5,835.96		OAG
	01-70020-110-00	Pension - Day Operations	817.17		
	01-20200-000-00	Accruals		11,887.28	

	Acc No.	Acc. Description	Dr.	Cr.	OAG/PACI
		To correct the Sagicor Dec -25 pension misposted in Jan 2026.			
12	01-10700-000-00	Land - Block & Parcel OPY/187	100,000.00		
	01-74690-300-00	Disposal of Fixed Assets		100,000.00	OAG
		To reverse disposal of land – Block & Parcel OPY/187			
13	01-20200-000-00	Accruals	16,685.59		OAG
	01-70010-120-00	Salaries - Night Operations		13,004.52	
	01-70010-110-00	Salaries - Day Operations		3,681.07	
		To correct the wages vacation accrual overstated			
14	01-20200-000-00	Accruals	1,668.56		OAG
	01-70020-110-00	Pension Day Operations		368.11	
	01-70020-120-00	Pension Night Operations		1,300.45	
		To correct the pension on wages vacation accrual overstated			
15	01-20200-000-00	Accruals	2,544.52		OAG
	01-70010-130-00	Salaries - Cruise/Security		2,043.16	
	01-70010-300-00	Salaries - Administration		236.63	
	01-70010-200-00	Salaries - Finance & Facilities		236.63	
		To correct the salaries, vacation accrual overstated			
16	01-20200-000-00	Accruals	254.45		OAG
	01-70020-130-00	Pension - Cruise/Security		204.32	
	01-70020-300-00	Pension - Administration		23.66	OAG
	01-70020-200-00	Pension - Finance & Facilities		26.47	
		To correct the pension on salaries vacation accrual overstated			

	Acc No.	Acc. Description	Dr.	Cr.	OAG/PACI
17	01-16150-000-00	Miscellaneous Receivables	191,205.85		OAG
	01-62300-000-00	Other Miscellaneous Income		191,205.85	
		To record insurance claim receivable for GCM 22 Aug 2023 lightning strike & for GCM 6 Feb 2024 Nor'wester			
18	01-50100-000-00	Cargo Dues	494.11		PACI
	01-16100-000-00	Agent/Consignee Receivables	1,490.66		
	01-50200-000-00	Cargo Handling	52.62		
	01-51270-000-11	Dock Usage Surcharge	4,920.00		
	01-62150-000-00	Finance Charges on Pastdue Cus	8.12		
	01-15150-000-00	R.B.C. Current Account		4,145.48	
	01-51500-000-11	Navigation Aids		36.75	
	01-51550-000-11	Line Handling		1,000.00	
	01-51600-000-11	Berthing Fees		1,315.60	
	01-51810-000-00	Cargo Dues Recycled Material		167.68	
	01-51840-000-00	Garbage Fees		300.00	
		GLPMs posted after the initial year-end close.			
19	01-31690-000-00	Defined Benefit Liability	3,549,000.00		PACI
	01-76900-300-00	Annual Expense Defined benefit	663,000.00		
	01-30100-000-00	General Reserve	6,398,000.00		
	01-76910-300-00	Defined benefit remeasurement		10,610,000.00	
		Define Benefit Liability per 2025 Valuation - after adjustment to active claims Experience			
20	01-76900-300-00	Annual Expense Defined benefit	391,000.00		PACI

	Acc No.	Acc. Description	Dr.	Cr.	OAG/PACI
	01-76910-300-00	Defined benefit remeasurement	1,521,000.00		
	01-30100-000-00	General Reserve	4,486,000.00		
	01-31690-000-00	Defined Benefit Liability		6,398,000.00	
		Prior year impact of Post-Retirement Health care valuation Dec 2025 - after adjustment to active claims Experience			
21	01-71000-300-08	Repairs & Maintenance H/D Admin Building	55.00		PACI
	01-74580-300-00	Rent – Breezy Castle - Administration		55.00	
		To reclassify pest control expense from rent to R&M			
		Grand total	17,530,633.82	17,530,633.82	

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Number	Account number	Account name	Debit	Credit
1	01-18600-000-07	Inventory of Forklift Parts	47,223.00	
	01-71030-123-07	Repairs & Maintenance CDC Forklifts		47,223.00
	To adjust the YE inventory balance to reconcile the TB with purchases and usage			
2	01-71030-123-11	Repairs & Maintenance H/D Forklifts	14,028.00	
	01-20100-000-00	Accounts Payable (A/P Control)		14,028.00
	To correct AP schedule to reconcile with the TB			
3	01-10120-100-00	Right of Use G5	10,227.00	
	01-31500-100-00	Lease Payable G5		10,227.00
	To correct prior year adjustments to Right of Use assets (G5)			
4	01-50300-000-07	Excess Storage	12,816.00	
	01-20100-000-00	Accounts Payable (A/P Control)		12,816.00
	To correct excess storage PM listing to reconcile with the TB			
5	01-16150-000-00	Miscellaneous Receivables	45,625.00	
	01-51700-000-11	Overtime Worked		45,625.00
	To record overtime worked (OTS/Recoverable)			
TOTAL			129,919.00	129,919.00

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. Noncompliance with the Procurement Act and the Procurement regulations *Awards are not published on Bonfire.* The Procurement Regulations (2022), Section 19(1), requires the entity to publish a notice of the award of the procurement contract on the website designated by the Central Procurement Office within thirty days of the contract's entry into force. However, almost all of the contract awards of the 2025 procurement projects we examined were not published as required. Only one item (the purchase of a mobile crane) out of 23 sampled was publicly disclosed. The unpublished awards total 862k in project values.	Risk/Implication: • Failure to comply with the Procurement Act and Procurement Regulations weakens transparency, accountability, and fairness in the procurement process. • The non-publication of procurement awards limits public scrutiny and may create perceptions of favoritism or a lack of transparency.	No	Yes	PACI will publish the awards on Bonfire going forward.	Q3 2026

Non-Compliance with Minimum Quotation Requirements Procurement Regulations section 7 (2) requires a minimum of three quotes. In our review, we noted that only two quotations were received for 4 procurements totaling $139,746.50. *Lack of approved direct award justification* During our review, we noted that three procurements totaling $112,122.76 were treated as direct awards without an approved justification allowed by Procurement Regulation 5. *Inadequate documentation of the basis for the award.*	• Failure to obtain the minimum required quotations reduces competition and prevent PACI from demonstrating value for money. • Increased risk of biased procurement decisions, disputes (legal challenges), non-compliance, and misuse of public funds. • Risk of reputational damage and reduced stakeholder confidence in its procurement practices. Recommendation: Management should strengthen procurement controls to ensure compliance			In many cases it is difficult to obtain the required number of quotations as vendors are unwilling to participate once they fail in their bid to secure work. PACI will document our attempts to obtain quotations going forward and retain for audit review. Management will address the justification of direct awards going forward. A justification cover memo will accompany all	Already implemented Q3 2006

Management obtained three quotations before awarding the survey and project services contract of $29,175. However, the evaluation of the quotes was not documented. The basis for awarding one and not the others is not in place. The selected vendor was not the lowest bidder, and no justification was provided.	with the Procurement Act and Regulations. Specifically, PACI should: • Ensure that all procurement awards are published as required by law and regulation in a timely manner. • Prohibit the completion of procurements not meeting the minimum of three quotations, if required. • Require all direct awards to be supported by formal written justification demonstrating compliance with Procurement Regulation 5 and approval before the contract is awarded. • Capture and maintain procurement documentation, including			procurement projects to evidence that they were compliant with the Legislation.	

	evaluation criteria, bid assessments, and justification for vendor selection, particularly where the selected vendor is not the lowest bidder.				
2. **Noncompliance with the (Port Amendment) Regulation, 2023.** Section 120 of the Port (Amendment) Regulation, 2023 requires charging fees on trucking	**Risk/Implication:** Noncompliance with the (Port Amendment) Regulation, 2023.	No	Yes	This was a historical practice that was borne of necessity.	Q3 2026

cargo from the dock to the Cargo Distribution Centre at the Industrial Park as follows: • For a container 20 feet long or less = $60 • For a container more than 20 feet long but not more than 40 feet long = $120 • For a container more than 40 feet long = $135 The Authority departs from this Regulation for containers with imported vehicles in them. In those cases, the Authority charges a flat rate of $60 per imported vehicle regardless of size in contravention of the existing Regulation.	Overcharged or lost revenues which could cause stakeholders to feel unfairly treated if their fee charges are compliant, while others are charged less than the prevailing amount **Recommendation:** The Authority should always comply with published tariffs or approved fee structures and correct the deficiency.			Management will comply with the recommendations going forward.	
3. **Lack of a concession agreement with the vendor to supply fuel to vessels** The Public Authorities Act and the Procurement Act require public authorities to conduct their affairs in a financially responsible,	**Risk/Implication:** Without a valid written agreement, PACI risks being in a disadvantaged legal position in the event of disputes, non-performance, or breaches by the vendor.	No	Yes	While the concession agreement existed, it had little commercial substance, as the Port was selling fuel to the vessels. As such, the Agreement's	Already implemented

transparent, accountable, and efficient manner and support the use of formal contractual arrangements with vendors to govern the provision of goods and services. It was noted that the Port Authority has engaged a vendor to supply fuel to vessels operating within the Cayman Islands and those coming to the Cayman Islands The written concession agreement governing this arrangement expired on 29th April 2025. The vendor is still selling fuel to vessels without a written agreement.	Also, the absence of defined service levels and performance standards may result in inconsistent or substandard service delivery. **Recommendation:** Management should urgently formalize the arrangement with the vendor through a comprehensive concession agreement.			expiration had little operational consequence. This changed when the IMO audit recommended that the Port exit the fuel-selling business. Management has taken steps to regularize this matter. A new Agreement was signed with the vendor.	
Financial Management					
4. **Weaknesses in inventory management (Recurring)** We found parts inventory items used for equipment repairs, valued	**Risk/ Implication** • The absence of records substantiating the issuance of inventory increases the risk that misappropriation, errors,	Yes	Yes	Management has made operational changes to correct this longstanding matter.	Already implemented

at $828,748.28, were not recorded as being issued in the fleet maintenance inventory system. Management posted a correcting journal entry to remove used items from the inventory balance, which was discovered to be unrecorded. However, there were no supporting records to confirm the issuance of inventory. Additionally, there was no evidence of approval for the write-off of this balance, the Board minutes revealed no discussion or resolution on the write-off of the unaccounted-for inventory. The write-offs were made on the basis that the parts were recorded as issued but were not subsequently accounted for. Despite repeated recommendations issued in prior years, management of the Port Authority has not implemented the recommended actions. This indicates an inadequate	or fraudulent activity will go undetected. • Adjusting inventory balances without adequate documentation or formal approval undermines the reliability of financial reporting and weakens internal control over inventory management. • The lack of Board-level discussion and approval of significant write-offs suggests a governance gap and non-compliance with oversight responsibilities. • The continued failure to implement agreed audit recommendations suggests inadequate management accountability and insufficient prioritization of internal control improvements. Recommendation				

response to audit findings and raises concerns about governance, accountability, and the effectiveness of internal controls. The annual breakdown of inventory issued without records from the prior periods is as follows: • 2022: $578,105.06 • 2024: $691,591.53 • 2025: $828,748.28	• The Port Authority should ensure that all parts issued from inventory are promptly and accurately recorded in the fleet maintenance inventory system, matched against the related work orders or documentation to support usage. • All inventory adjustments, including write-offs, should be fully documented, justified, and approved by an appropriate level of management, in accordance with established policies and procedures. • Material write-offs should be reported to and reviewed by the Board or Audit and Risk Committee to ensure transparency, accountability, and compliance with good governance practices. • Management should enforce periodic reconciliations between the inventory				

	records and the general ledger. Any discrepancies should be promptly investigated and resolved.				
5. **Lack of written evidence to stop storage charges from accruing** Section 128(3A) of the Port Regulation gives the Port Director (PD) the right to waive or reduce storage charges where he is satisfied that the circumstances so warrant. Storage charges start accruing when landed goods are not collected from the Port Authority's depot after 5 days, excluding weekends and public holidays. The Port Director gave verbal instructions to the accounts receivable team to stop accruing storage charges for a customer with a significant outstanding balance. As of 31 May 2025, the total	**Risk/ Implication** Weakens internal controls, transparency, and accountability, and increases the risk of material misstatement and disputes with customers. **Recommendation** Management enforce that only written approvals of "stop charge" requests are honored as such.	No	Yes	Recommendation accepted. Management has since placed on record the instruction to cease the accrual of storage.	Already implemented

outstanding balance was $ 417,568.90. In June 2025, the customer made a payment of 165,500, reducing the balance to $253,568.90. After this payment, the Port Director instructed the team to stop accruing storage charges; this instruction was given verbally.					
6. Non-compliance with Official Travel Approval Requirements The Port Authority Employee Manual requires that all official travel be justified to demonstrate that it is necessary to achieve the departmental business objectives, including the consideration of alternative methods (virtual meetings). This justification must be documented on the Application for Official Travel form. Additionally, all official travel must be authorized by an appropriate approving officer on the approved form.	Risk/Implication: The absence of documented justification and formal approval increases the risk of unauthorized or unnecessary travel, potentially leading to the misuse of public funds and a lack of accountability and transparency in decision-making. Recommendation: Management should ensure that: • Payments for all official travel are supported by the	No	Yes	All travel is normally preceded by approved travel forms before the travel is undertaken. Efforts will be made to strengthen documentation for audit purposes.	Already implemented

However, officers who traveled did not prepare the travel form and secure the required approval prior to travel.	Application for Official Travel form, clear business justification, and the required receipts. • All travel requests are reviewed and approved by the Accountable Officer before travel. • Supporting documents are retained as an audit trail together with approval signatures.				
7. Noncompliance with the Port Authority Employee Manual on Extended Sick Leave Approvals The Port Authority Employee Manual states that, in the event of a serious illness or injury requiring treatment for a period exceeding ten (10) calendar days, consideration for the use of unused vacation leave days shall only be granted upon submission of a medical certificate signed by a registered medical doctor, stamped by the doctor's office or healthcare	**Risk/Implication:** non-compliance with established HR policies, financial loss from continued salary payments without proper justification, risk of fraud and abuse, and weakened internal controls and oversight. Unintended consequence of setting a precedent for the future occurrence of significantly prolonged sick leave	No	Yes	Management will strengthen the collection and retention of documentary evidence surrounding extended sick leave.	Q4 2026

institution, and approved by the Port Director. During our review, we noted that an employee was granted extended sick leave from January 2019 to December 2025 (a total of seven calendar years) No medical certificates were obtained. Despite this, the employee continued to receive full wages throughout the seven-year period.	**Recommendation:** Management should strengthen controls over the leave approval process to ensure that all requests for serious illness or injury exceeding ten (10) calendar days are supported by the required medical certification and documented approval from the Port Director before leave is approved and processed.				
Information Technology					
8. **The timekeeping system for wage employees allows changes to data and management has no compensating controls (Recurring)** The Port Authority relies on ADI time application to track the hours	**Risk/Implication:** • Risk of errors or unauthorized changes going undetected. • The delayed implementation of the time recording system prolongs	Yes	Yes	Management will continue to strengthen the controls over the timekeeping system, until it is replaced.	Q4 2026

worked by wage employees and outsourced security officers (using clock in and out system). However, it allows for manual adjustments, enabling supervisors to modify the hours recorded by specific staff members. Any such manual adjustments are not reviewed by an appropriate level of management. This was first raised in 2022. Management had previously stated that the Deputy Director responsible for Operations would conduct a sample-based review of manual edits. However, in 2025, this was not implemented.	weaknesses in the payroll processing environment. **Recommendation:** We recommend that management implement compensating controls for ADI time. Additionally, management should expedite implementation of the replacement time recording system to improve controls over payroll processing and reduce the need for manual intervention.				
9. **Port Authority's version of ADI time is outdated and out of support (Recurring)** The ADI Time system is outdated and no longer supported by its original developers.	**Risk/ Implication** An outdated and unsupported application can create significant security risks because it is no longer updated to align with the current IT environment or protected	Yes	Yes	Management will continue in its efforts to migrate to a new system.	Q4 2027

During the audit, we learned that the Port Authority is migrating to a new application, HRPlus, to replace ADI Time; however, the migration had not yet been completed. In the 2023 and 2024 audits, we recommended that Management prioritize the migration to the HR Plus system, and Management committed to completing the transition by 2025, which did not happen.	against emerging cyber threats. As a result, the application may become vulnerable to hacking and unauthorized access. Additionally, unsupported applications can increase the risk of information loss if the system crashes and the IT department is unable to repair or restore the application due to the lack of vendor support or available updates. Recommendation Management should migrate to the new time-recording system within a timeframe determined by them to be appropriate.				
Governance					

Office of the Auditor General
CAYMAN ISLANDS

10. PACI hired Interns and then subsequently appointed them permanently without open competition The Port Authority Employee Manual on Talent Acquisition and Recruitment requires that, whenever possible, vacancies be filled from within the existing staff complement, provided that a suitable employee with the necessary qualifications, experience, ability, and potential is available. The Manual further states that vacancies should only be advertised externally where necessary. In addition, the Public Authorities Act Section 42 (1) requires the Public Authority to operate an open and fair appointment process for all staff Certain intern positions were filled by the same individuals without	**Risk/Implication:** • Increased risk of favoritism, bias, or lack of transparency or occurrence of unfair recruitment practices. • Limits opportunity for other qualified internal or external candidates and for the PACI to hire and retain the best people. • Undermines confidence in the integrity of the recruitment process. **Recommendation:** Management should ensure that all appointments are made as a result of PAA-compliant recruitment processes, including advertisements and open competitions. Interns should be asked to apply on equal terms with other	No	Yes	Management will continue to strengthen its recruitment processes to attract the right talent for the Port Authority.	Ongoing

open and competitive recruitment. In some instances, positions initially occupied by interns were later advertised internally only and subsequently filled by the same individuals, even though interns did not meet the definition of existing staff under the Authority's recruitment policy.	candidates, in line with fair recruitment principles and good governance practices.				
11. Failure to Implement Agreed Audit Recommendations Several audit recommendations issued in previous audits remain unimplemented beyond the agreed implementation dates. Management has not taken adequate corrective action to address the underlying control deficiencies, and there is insufficient evidence of monitoring and follow-up to ensure timely implementation of agreed recommendations.	**Risk/Implication:** Increased likelihood of errors, fraud, irregularities, or non-compliance with applicable laws, regulations, policies, and procedures. • Reduced assurance that risks are being appropriately managed and mitigated. **Recommendation:** Management should develop	No	Yes	Management will continue to improve in monitoring the implementation of audit recommendations	ongoing

	and maintain an audit recommendation tracker, including status updates, responsible persons, and target completion dates, and hold each one accountable.				