CAYMAN ISLANDS AIRPORTS AUTHORITY

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2021 AUDIT

JULY 2026

To help the public service spend wisely

TABLE OF CONTENTS

Introduction **1**

Auditor's responsibilities in relation to the audit **1**

Auditor's responsibility under International Standards on Auditing (ISAs) 1

Responsibilities of management and those charged with governance 2

Other information in documents containing audited financial statements **2**

Conduct, approach and overall scope of the audit **2**

Audit report, adjustments and management representations **2**

Significant findings from the audit **3**

Significant accounting practices 3

Management's judgments and accounting estimates 3

Going concern doubts 3

Internal control matters and significant findings 3

Fraud or illegal acts 3

Significant difficulties encountered during the course of our audit 4

Disagreements with management 4

Any other significant matters 4

Acknowledgements **5**

Appendix 1 – Summary of adjusted misstatements **6**

Appendix 2 – Summary of unadjusted misstatements **6**

Appendix 3 – Internal control matters and significant findings **7**

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2021 financial statements of the Cayman Islands Airports Authority (the "Authority" or "CIAA"). 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 2021 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 16 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 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 Chairman 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 with an emphasis on the matter paragraph on the 31 December 2021 financial statements.

9. The emphasis of matter paragraph states that: As outlined in the Statement of Changes in Equity, the Cabinet of Ministers authorized supplementary funding of $10,000,000 for the Authority for equity injection in accordance with section 12(1) of the Public Management and Finance Act (2020 Revision) (“PMFA”). A supplementary Appropriation Bill for the funding was not introduced in Parliament by 31 March 2022 as required by section 12(3) of the PMFA. The opinion is not qualified with respect to this matter

10. A summary of audit adjustments made to the financial statements is attached as Appendix 1. A summary of uncorrected misstatements is attached as Appendix 2.

11. 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 8 May 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

12. 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.

13. 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

14. 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 (depreciation) – $9,456,155
- Valuation of property, plant and equipment – $257,526,221
- Expected Credit Losses – $725,353
- Actuarial valuations, including assumptions, e.g. discount rates- $31,598,000
- Interest-free Government Loan- $439,963
- Post-Employment Benefit Obligation – including pension and healthcare- $5,587,000

GOING CONCERN DOUBTS

15. 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

16. Significant internal control deficiencies and significant findings are noted in Appendix 3, along with management's response.

FRAUD OR ILLEGAL ACTS

17. 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.

18. 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.

19. 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.

20. 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.

21. No fraud or illegal acts came to our attention as a result of the 2021 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

22. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

24. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

25. We would like to express our thanks to the staff of the Cayman Islands Airports 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,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENT

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
1	Client adjustment to correct Repair and Maintenance	Equipment	1630-00-1		3,050	Client
		Equipment	1630-00-1		382	
		Assets Under Construction	1690-00-1	369		
		Assets Under Construction	1690-00-1		152	
		Assets Under Construction	1690-00-1		959	
		Assets Under Construction	1690-00-1		3,050	
		Building Maintenance-Facility & Maint-Grand Cayman	7401-15-1		369	
		Building Maintenance-Facility & Maint-Grand Cayman	7401-15-1	959		
		Building Maintenance-Facility & Maint-Grand Cayman	7401-15-1	3,050		
		Equipment Maintenance - Security	7403-09-1	3,050		
		Equipment Maintenance - Security	7403-09-1	152		
		Air Traffic management -CNS-CNS-Grand Cayman	7444-17-1	382		
2	Client adjustment to correct AUC.	Assets Under Construction CYB	1690-00-2		15,180	Client
		Fence Repairs & Maintenance - GCM	7407-15-1	15,180		
3	Client adjustment to correct R&M.	General Emergency Purchases	5555-00-0		72	Client
		General Emergency Purchases	5555-00-0		379	

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
		Inter-Island Travel- ATC	7104-04-1	72		
		Vehicle Maintenance-Facility & Maintenance-	7450-15-1	379		
4	To transfer MS Dynamics support to Software licensing and support	Other Consultancy Services - IT	7740-05-1		28,700	OAG
		Software Licensing and Support	8100-05-1	28,700		
5	To transfer from Legal and professional fees to Licensing and support	Other Consultancy Services - IT	7740-05-1		3,388	OAG
		Other Consultancy Services - IT	7740-05-1		10,301	
		Software Licensing and Support	8100-05-1	3,388		
		Software Licensing and Support	8100-05-1	10,301		
6	To adjust for audit fees	Other Current Liabilities	2015-00-0		42,373	OAG
		Retained Earnings	3010-00-0	22,373		
		Audit Fees -Finance-Grand Cayman	7730-10-1	20,000		
7	Client adjustments for the CIG loan	Government Loans & Advances	2345-00-0	2,103,534		Client
		Govt grant Income- Finance- Grand Cayman	4630-10-1		2,294,758	
		Interest on LT loans	7900-10-1	191,224		
8	To adjust the CIG loan according to IFRS 9	Government Loans & Advances	2345-00-0		357,613	OAG
		Govt grant Income- Finance- Grand Cayman	4630-10-1	108,874		
		Interest on LT loans	7900-10-1	248,739		
9	To reclass expenses from repairs and maintenance	Prepaid expenses	1500-00-0	6,888		OAG
		Inter-Island Travel-Facility & Maintenance-Grand Cayman	7104-15-1	263		
		Runway Maintenance-Facility & Maintenance-Grand Ca	7402-15-1		263	
		Software Licensing and Support	8100-05-1		6,888	

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
10	Client adjustment for employee healthcare obligations	Employee healthcare benefit obligation remeasurement	3027-00-0		631,000	Client
		Post Retirement Health Care Expense	7026-10-1	631,000		
11	To record understated accrued leave and leave expense	Accrued Vacation	2007-00-0		23,439	OAG
		Movement in annual leave-General Non-Specific-GCM	7004-01-1	23,439		
12	Client adjustment for payables-	Accounts Payable	2000-00-0		15,389	Client
		Air Conditioning Maint-Facility & Maintenance-	7460-15-1	15,389		
		Buildings	1660-00-1	1,933,848		
		Buildings - C Brac	1660-00-2		547,187	
		Accum Depr Buildings	1661-00-1	3,487,335		
		Accum Depr Buildings - C Brac	1661-00-2	668,608		
		Land Improvements	1670-00-1	17,233,323		
		Land Improvements - C Brac	1670-00-2		1,125,262	
		Accum Depr Land Improvements	1671-00-1	5,841,805		
		Accum Depr Land Improve C Brac	1671-00-2	1,616,125		
		Land	1680-00-1	40,103,000		
		Land - C Brac	1680-00-2	685,000		
		Land - Little Cayman	1680-00-3		125,000	
		Assets Under Construction	1690-00-1		31,733	
		Assets Under Construction CYB	1690-00-2			
		Retained Earnings	3010-00-0		4,695,904	

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
		Land Imprvmnt Reval Reserve-General Admin-Corporat	3023-00-0		25,132,053	
		Land Reval Reserve -General Admin-Corporate	3024-00-0		40,788,000	
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0		1,222,318	
		Gain/ Loss Disposal Fixed Asset -Finance-Grand Cay	4800-10-1	116,885		
		Building Maintenance-Facility & Maint-Grand Cayman	7401-15-1	5,304		
		Loss on land reval - Brac	7817-02-2	125,000		
		Depr Exp -Bldg & Structue-General Non-Specific-GCM	7826-01-1	279,287		
		Depr Exp Bldg & Structure -Cayman Brac-Cayman Brac	7826-02-2	5,875		
		Land improvements-General Non-specific-CM	7827-01-1	1,546,135		
		Land Improvement -Cayman Brac-Cayman Brac	7827-02-2	19,927		
14	PY Cayman Airways Adjustment	Accounts Receivable - Related Parties	1403-00-0	756,884		Client
		Accounts Payable - Interagency	2001-00-0		756,884	
		Retained Earnings	3010-00-0		756,884	
		Retained Earnings	3010-00-0	756,884		
15	To reverse over accrual for December Security Tax	Accrued Revenue	1405-00-0		23,016	OAG
		GCM Departures - Security Tax	4121-09-1	23,016		
16	To adjust for prior year income recorded in the	Retained Earnings	3010-00-0		14,439	OAG
		Retained Earnings	3010-00-0		1,129	
		Retained Earnings	3010-00-0		477	
		Retained Earnings	3010-00-0		9,456	

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
	current period and reverse expenses	Misc Income - GCM	4700-10-1	15,850		
		Misc Income - GCM	4700-10-1	14,439		
		Misc Income - GCM	4700-10-1	19,023		
		Misc Income - GCM	4700-10-1	739		
		Misc Income - GCM	4700-10-1	1,129		
		Misc Income - GCM	4700-10-1	477		
		Misc Income - GCM	4700-10-1	677		
		Misc Income - GCM	4700-10-1	616		
		Misc Income - GCM	4700-10-1	9,456		
		Salaries - Security	7000-09-1		677	
		Salary -Security - CYB	7000-09-2		739	
		Salaries - AIS-GCM	7000-18-1		616	
		Training - Air Traffic Control	7110-04-1		15,850	
		Training - Air Traffic Control	7110-04-1		19,023	
17	To adjust Repairs and Maintenance for expense that should be capitalised	Assets Under Construction	1690-00-1	9,438		OAG
		Air Traffic management -CNS-CNS-Grand Cayman	7444-17-1		9,438	
18	Transfer of R&M expenses to prepayment.	Prepaid expenses	1500-00-0	8,067		OAG
		Fence Repairs & Maintenance - GCM	7407-15-1		8,067	
19	Being a writeback adjustment for provision for bad and doubtful debts.	Allow for Bad Debts	1401-00-0	1,939,957		OAG
		Bad Debt Expense	7810-01-1		1,939,957	
20	To record pension expenses erroneously	PSL (Death Benefit)	2008-00-0		24,975	OAG
		Employer Pension Contribution	2009-00-0		44,038	
		PSL Contribution - Cayman Brac	7030-02-2	79		
		PSL Contribution - Airport Operations	7030-03-1	4,749		

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
	debited to pension payables	PSL Contribution - Airport Operations	7030-03-1	3,921		
		PSL Contribution - Air Traffic Control	7030-04-1	11,210		
		PSL Contribution -Air Navig. Services-Cayman Brac	7030-04-2	625		
		PSL Contribution - IT	7030-05-1	162		
		PSL Contribtion - Safety	7030-08-1	397		
		PSL Contribution- Security	7030-09-1	17,299		
		PSL Contribution -Security-Cayman Brac	7030-09-2	7,116		
		PSL Contribution -Security-Cayman Brac	7030-09-2	2,122		
		PSL Contribution - Finance	7030-10-1	674		
		PSL Contribution - Marketing	7030-11-1	192		
		PSL Contribution - Human Resources	7030-12-1	3,702		
		PSL Contribution - CEO	7030-13-1	635		
		PSL Contribution--Facility & Maintenance-	7030-15-1	1,522		
		PSL Contribution - Customer Service	7030-16-1	7,321		
		PSL Contribution - CNS	7030-17-1	820		
		PSL Contribution -AIS-Grand Cayman	7030-18-1	6,102		
		PSL Contribution -AIS-Grand Cayman	7030-18-1	366		
21	To adjust pension expense erroneously debited to pension liability	PSL (Death Benefit)	2008-00-0		71,888	OAG
		Employer Pension Contribution	2009-00-0		28	
		PSL Contribution - Finance	7030-10-1	71,916		
22	Client adjustment for accrued vacation and leave movement	Accrued Vacation	2007-00-0	9,936		Client
		Movement in annual leave-General Non-Specific-GCM	7004-01-1		9,936	
23	Being reversal of revaluation loss wrongly passed	Land Reval Reserve -General Admin-Corporate	3024-00-0	125,000		OAG
		Loss on land reval - Brac	7817-02-2		125,000	

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
24	Being depreciation adjustment on initially unrevalued land improvements and buildings	Buildings	1660-00-1		17,908	OAG
		Buildings	1660-00-1	17,908		
		Accum Depr Buildings	1661-00-1	17,908		
		Accum Depr Buildings	1661-00-1	8,232		
		Accum Depr Buildings	1661-00-1		17,908	
		Land Improvements	1670-00-1		104,502	
		Land Improvements - C Brac	1670-00-2		14,345	
		Accum Depr Land Improvements	1671-00-1	104,502		
		Accum Depr Land Improvements	1671-00-1	124,619		
		Accum Depr Land Improve C Brac	1671-00-2	14,345		
		Accum Depr Land Improve C Brac	1671-00-2	7,237		
		Depr Exp -Bldg & Structure-General Non-Specific-GCM	7826-01-1		8,232	
		Land improvements-General Non-specific-CM	7827-01-1		124,619	
		Land Improvement -Cayman Brac-Cayman Brac	7827-02-2		7,237	
25	Being revaluation adjustment on land improvements	Retained Earnings	3010-00-0		122,944	OAG
		Land Imprvmnt Reval Reserve-General Admin-Corporate	3023-00-0	122,944		
26	Being reversal of derecognized asset's revaluation (Cricket Pavillion)	Retained Earnings	3010-00-0	105,542		OAG
		Building Rev Loss- General Non- Specific-G Cayman	7816-01-1		105,542	
27	Being revaluation adjustment made in the year 2021	Buildings	1660-00-1		199,907	OAG
		Land Improvements	1670-00-1		1,919,623	
		Retained Earnings	3010-00-0	516,594		
		Retained Earnings	3010-00-0	4,340,323		

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
		Land Improvement Reval Reserve-General Admin-Corporate	3023-00-0		516,594	
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0	1,919,623		
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0	199,907		
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0		4,340,323	
28	Being correction of PY allowance	Allow for Bad Debts	1401-00-0		85,371	Client
		Retained Earnings	3010-00-0	85,371		
		Land Improvements	1670-00-1	175,825		
		Land Improvements	1670-00-1	17,204		
		Land Improvements	1670-00-1	101,643		
		Land Improvements - C Brac	1670-00-2		175,825	
		Accum Depr Land Improvements	1671-00-1		11,218	
		Accum Depr Land Improvements	1671-00-1		1,809	
		Accum Depr Land Improve C Brac	1671-00-2		1,097	
		Accum Depr Land Improve C Brac	1671-00-2		15,395	
		Retained Earnings	3010-00-0		122,944	
		Retained Earnings	3010-00-0		105,542	
		Land Imprvmnt Reval Reserve-General Admin-Corporat	3023-00-0	122,944		
		Land Imprvmnt Reval Reserve-General Admin-Corporat	3023-00-0		101,643	
		Land Imprvmnt Reval Reserve-General Admin-Corporat	3023-00-0	8,650		
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0	105,542		

Number	Account description and adjustment details	Account name	Account Number	Debit	Credit	Identified by: (Client/ OAG)
		BLDG Revaluation Reserve-General Admin-Corporate	3025-00-0	3,393,556		
		Building Rev Loss- General Non- Specific-G Cayma	7816-01-1		8,650	
		Building Rev Loss- General Non- Specific-G Cayma	7816-01-1		3,393,556	
		Land improvements-General Non-specific-CM	7827-01-1	11,218		
		Depr Exp Land Improvements-Brac	7827-01-2	1,097		
30	To adjust for the recovery of revaluation loss from 2016 and the expense loss on the derecognition of the cricket pavilion	Retained Earnings	3010-00-0	105,543		OAG
		Retained Earnings	3010-00-0	43,256		
		Gain/ Loss Disposal Fixed Asset -Finance-Grand Cay	4800-10-1		116,885	
		Gain/ Loss Disposal Fixed Asset -Finance-Grand Cay	4800-10-1	11,343		
		Building Rev Loss- General Non- Specific-G Cayma	7816-01-1		43,257	
31	Reversal for double adjustment for allowance for doubtful debt	Allow for Bad Debts	1401-00-0	85,371		OAG
		Retained Earnings	3010-00-0		85,371	
32	Adjustment to correct depreciation wrongly adjusted	Retained Earnings	3010-00-0		28,844	OAG
		Depr Exp -Bldg & Structue-General Non-Specific-GCM	7826-01-1	28,844		
	TOTAL			**92,739,773**	**92,739,773**	

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	To post the difference between the ALFA billing report and the GL	7,905	-	-	(7,905)	-
2	Discrepancy between invoice and recorded CIAA amount	-	18,210	-	-	(18,210)
3	Being impact of review of revaluation gain on land improvement	8,651		(8,651)		
	Understated/ (Overstated)	**16,555**	**18,210**	**(8,651)**	**(7,905)**	**(18,210)**

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. Contract extension without competitive procurement Section 4 of the Procurement Regulations (2018 Revision) requires public authorities to conduct competitive procurement for goods and services above the prescribed thresholds. The CIAA's contract with a contractor from 2016 to 2021 expired in May 2021. It extended its contract with the contractor	**Risk/Implication** The Authority is not in compliance with the Procurement Regulations. It is incurring costs without the appropriate approval required by the Procurement Act and Regulations. The Authority is unable to demonstrate value for money in the use of public funds. **Recommendation** Management should ensure that all contract renewals or	Yes	Yes	Noted. Management makes every effort to ensure that no contract extensions are now being done without a competitive process or a compliant direct award process.	Dec 31 2025

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
from May 2021 to July 2022 without a competitive procurement process or market testing for expenditures approximately $322k, over a period of one year and 3 months.	extensions undergo the required competitive procurement in accordance with the Procurement Regulations.				
2. No reserve fund as required by the Act Section 25(1) of the Airports Authority Act (2005 Revision) requires the Authority to maintain a reserve fund. As of 31 December 2021, CIAA had not established this.	**Risk/Implication** Statutory non-compliance, weakening its financial resilience if revenue fluctuates unfavourably, and limiting its ability to plan and fund major capital projects over the long-term. **Recommendation** Management should establish the reserve fund in	No	Yes, with explanation	Capital projects and COVID together depleted the Authority's reserve funds, a government loan was sought during the years 2020 to 2021. As soon as borders re-opened and revenues generating reconvened, the reserve fund has grown exponentially. Clear evidence of this is seen in 2023.	Dec 31, 2023

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
	accordance with Section 25(1) of the Airports Authority Act.			In accordance with Section 25 (2, 3). The reserve funds that CIAA held in 2021 was used for the purposes as determined by the authority which was capital projects and operational expenses during a global pandemic.	
Financial Management					
3. No impairment assessment performed in accordance with IAS 36 Management did not conduct an impairment review at the end of the reporting period, as required by IAS 36, paragraph 9, which	**Risk/Implication** Non-compliance with IFRS requirements. This may lead to potential overstatement of assets if impairment indicators existed but were not identified.	Yes	Yes	Noted. Management conducts asset count annually at selected departments. Additionally, when new assets are purchased, management seeks clarification from other managers if this is a replacement or addition.	Dec 31, 2025

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired.	**Recommendation** Management should ensure that an impairment assessment process is performed at each reporting date in conformity with IAS 36.			Managers are reminded regularly that all transfers and disposals of assets -forms to be completed.	
4. Late preparation of bank reconciliations Good financial governance requires that account reconciliations be performed promptly and regularly. During our review, we observed that reconciliations were not performed in a timely manner. Given the nature of the operations,	**Risk/Implication** Failure to implement proper reconciliation procedures may result in errors, misstatements, and undetected fraud. **Recommendation** Management should ensure that all bank reconciliations	Yes	Yes, with explanation	The accounting software used by CIAA for financial reporting does not allow certain modules to close and roll forward until the prior year is closed. For instance, the 2022 bank recons and depreciation cannot be run and posted until the 2021 financial year-end process is run and closed and	Dec 31 2027

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
monthly reconciliations are expected.	are completed promptly (say, monthly) and reviewed, and that bank accounts are reconciled to the general ledger monthly.			the period ending balances rolled forward. This will be recurring until the financial audits are brought up to date.	
5. Over-billed the security tax because the passenger data was not validated CIAA did not validate the "PAX Thru" passenger data (departing passengers with layovers within Cayman) provided by Cayman Airways (CAL) for January to June 2021. CIAA relied solely on CAL-reported passenger numbers without performing independent verification or reconciliation. During our audit, the related	**<u>Risk/Implication</u>** The absence of proper controls can lead to inaccurate records, material revenue misstatements, and additional work to issue credit notes, increasing both operational and financial exposure. **<u>Recommendations</u>** Management should implement a process to	No	Yes	Management acknowledges the finding but notes that the over-billing resulted from a combination of incorrect data provided by Cayman Airways (CAL) airport staff and a historical ambiguity regarding the treatment of "THRU PAX" (transit passengers). This matter has since been conclusively resolved. Following a joint meeting between CIAA and CAL	Dec 31, 2024

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
revenue stream was found to have been over-billed by about $215k. CIAA subsequently issued credit notes to reverse the over-billed amounts.	validate passenger data, to reconcile CAL-reported data against independent sources (e.g., flight manifests and airport systems). Management should ensure that the reviews are documented and approved within reasonable time after CAL submits the information.			management, it was formally agreed that transit passengers will no longer be subject to the security tax. To rectify the historical period (January to June 2021) under the newly agreed policy, CIAA issued the corresponding credit notes totaling approximately $215,000. Because transit passengers are now entirely excluded from this tax framework, the risk of data mismatch or over-billing on this stream has been permanently eliminated.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
6. No review of Jet Fuel commission revenue (recurring) CIAA earns a commission (per gallon rate) on jet fuel sold by local fuel concessionaire who sell directly to airlines. CIAA gets reports on sales volume from the vendor but CIAA does not verify the information prior to billing.	**Risk/Implication** Risk of revenue loss if the fuel provider provides incorrect information. **Recommendation** Management should establish mechanisms to verify fuel volumes sold prior to billing the fuel concessionaire.	Yes	Yes, with explanation	Management has evaluated various verification methods; however, due to the absence of physical meters and the prohibitive cost of installing dedicated fuel lines or monitoring equipment, a transactional verification prior to billing is not feasible, and the installation of such equipment is not cost-effective.	
Quality of Financial statements and submissions					
7. Unreconciled receivables difference with CAL	**Risk/Implication**	Yes	Yes	Management acknowledges the variance but stands confident in the accuracy of	Dec 31 2027

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
Our receivable confirmation procedure resulted in a $413k discrepancy between CIAA and Cayman Airways (CAL) records at year-end. This had been raised in the prior year but was still unresolved.	The absence of timely reconciliation increases the risk of materially misstated receivable balances and unreliable balances reported. **<u>Recommendation</u>** Management should urgently undertake a comprehensive reconciliation of all outstanding balances with CAL.			CIAA's accounts receivable ledger. This historical discrepancy stems from two distinct issues: (1) a long-standing policy dispute where Cayman Airways (CAL) refuses to pay issued travel tax invoices, and (2) CAL's historical practice of submitting lump-sum payments without remittance advice, which forced CIAA to apply funds to the oldest outstanding invoices. During 2021, CIAA made exhaustive efforts to resolve this impasse. We requested a full statement from CAL, identified and re-sent all	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
				missing invoices, and held continuous reconciliation meetings. While CIAA has verified and validated its own records, we cannot compel CAL to adjust theirs. Because the records are correct on our side, this remains a commercial dispute rather than an internal control failure. CIAA will continue to pursue a formal resolution with CAL management.	
8. Poor Internal Controls over the financial reporting process We noted deficiencies in internal controls over the financial	**Risks/ Implication** Deficiencies in the internal controls could lead to material misstatements in the financial statements. The	Yes	Yes	Noted. Management makes every effort to reconcile and review transactions being recorded in the financial statements, however, it should	Dec 31 2027

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Recommendation accepted by Management (Y/N)	Management Response	Implementation Date
reporting process and the recognition and recording of transactions in accordance with International Financial Reporting Standards (IFRS). As a result, 32 adjustments totaling $92.7 million were identified during the audit.	multiple adjustments also caused delays in the audit. **Recommendation** Management should ensure that it establishes strong internal controls to guarantee accuracy and compliance with IFRS.			be noted that the Finance team has to split their time between the old financial audits and the current year financial reporting. This is recurring until the old financial audits are completed and the authority is current.	