Office of the Auditor General
CAYMAN ISLANDS

CAYMAN ISLANDS MONETARY AUTHORITY

Report to those charged with governance on the 2024 audit

July 2026

To help the public service spend wisely

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audits of the financial statements of the Cayman Islands Monetary Authority (the "Authority") for the year ended 31 December 2024. International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Authority in sufficient time to enable 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; and
   - significant findings from our audit.

2. This report sets out for the consideration by those charged with governance those matters arising from the audits of the Authority's financial statements that we consider worthy of 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) ("FOI Act"), it is the policy of the Office of the Auditor General to proactively release all final reports on our website at www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

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 letters to which the engagements were subject. The audits of the financial statements do 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 to consider whether such information is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Authority. Management has submitted its annual report to us by the statutory deadline, and we have reviewed it in accordance with our responsibilities under ISA 720.

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 Managing Director on 13 September 2024 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 opinion in the Auditor General's reports on the 2024 financial statements. However, our opinion was accompanied by the following emphasis of matter:

   As outlined in note 16 of the financial statements, *the Public Authorities Act (2020 Revision) (PAA), Section 47 – Terms and conditions and remuneration of staff, came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies* to standardise salaries and benefits. At the date of this report, the standardisation process was still ongoing. Therefore, the potential impact of this requirement was not reflected in these financial statements. My opinion is not modified in respect of this matter.

9. Appendix 1 summarises the misstatements identified during the audit that were corrected by management. The total value of corrected misstatements amounted to $36.9 million.

10. Appendix 2 summarises the uncorrected misstatements identified by us during the audit that management determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of these was about $568,000.

11. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. Management provided us with written representations dated 30 April 2025 in respect of our audit of the financial statements.

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. Generally accepted accounting principles permit the Authority to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

13. We are not aware of any areas in which the significant accounting practices are inconsistent with general industry practice. In addition, we are not aware of any new or controversial accounting practices reflected in the Authority's financial statements.

14. Details of any significant findings from the audit are included in Appendix 3 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- depreciation and amortisation of property, plant and equipment, and intangible assets- $1,600,000.
- depreciation of right-of-use assets - $1,717,000.
- defined benefit healthcare - $8,555,000.

GOING CONCERN DOUBTS

16. As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Authority's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

17. We identified a number of significant deficiencies relating to internal control as part of our audit. These include:

    - Non-compliance with Public Authorities Act (PAA) section 47 which requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet.
    - Non-compliance with the Procurement Regulations.
    - Non-tendering for a significant contract.

    Details are included in Appendix 3 along with management's response. There were no other control deficiencies reported separately to management.

FRAUD OR ILLEGAL ACTS

18. Applicable auditing standards recognise that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with oversight by those charged with governance, place a strong emphasis on fraud prevention and deterrence. They are responsible for establishing and maintaining controls that support the entity's goal of preparing financial statements that are fairly presented in all material respects, in accordance with the appropriate financial reporting framework. Additionally, they manage risks that could lead to material misstatements in those financial statements. In exercising oversight responsibilities, those charged with governance should consider the potential for management to override controls or exert other inappropriate influence 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. 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 our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

22. There were no disagreements with management that were noted during the 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 Authority for their help and assistance during the audit of this period’s financial statements.

Yours sincerely,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	Cash Pan - Operations	1501	13,879.35	
1	12/31/2024	Unearned Income - CIMA Transaction Fees	4102		(13,879.35)
		Being entry to record entity revenue on hand.			
2	12/31/2024	Employee entitlements - Annual Leave Provision	4245		(65,905.68)
2	12/31/2024	Leave pay	7003	65,905.68	
		Being entry to book 2024 leave carried over to 2025.			
3	12/31/2024	Accounts Receivables - Royalties	1621	5,532.50	
3	12/31/2024	Numismatic Royalties	6512		(960.00)
3	12/31/2024	Numismatic Royalties	6512		(3,495.83)
3	12/31/2024	Numismatic Royalties	6512		(1,076.67)
		Being entry to accrue royalties for Scottsdale Q2, Q3 and Q4 2024.			
4	12/31/2024	Stocks - Bullion - Currency Reserve	1201		(1,129,321.20)
4	12/31/2024	Stocks - Bullion - Currency Reserve	1201	1,567,407.32	
4	12/31/2024	Bullion Revaluation	6501		
4	12/31/2024	Bullion Revaluation	6501		(34,738.11)
4	12/31/2024	Bullion Revaluation	6501	34,738.11	
4	12/31/2024	Circulating Coin Sets Sales	6511	395.27	
4	12/31/2024	Numismatic Royalties	6512	9,563.75	
4	12/31/2024	Numismatic Coin Sales	6513	25,019.18	
4	12/31/2024	Numismatic Gain	6515		(363,023.63)
4	12/31/2024	Other Income - Miscellaneous	6601	1,610.90	
4	12/31/2024	Numismatic Cost of Sales - Numismatic Coins	7161	1,129,321.20	
4	12/31/2024	Numismatic Cost of Sales - Numismatic Coins	7161		(1,532,669.21)
4	12/31/2024	Numismatic Cost of Sales - Numismatic Coins	7161	111,649.59	
4	12/31/2024	Numismatic Cost of Sales - Numismatic Coins	7161		(36,589.10)

4	12/31/2024	Numismatic Cost of Sales - Numismatic Coins	7161	328,287.52	
4	12/31/2024	Numismatic Issue Expense	7162		(111,649.59)
		Being entry to book adjustment for numismatic stock as at Dec 31, 2024.			
5	12/31/2024	Right-of-Use Asset	1750	394,503.00	
5	12/31/2024	Right-of-Use Asset	1750	392,344.00	
5	12/31/2024	Right-of-Use Asset	1750		(2,109,285.00)
5	12/31/2024	Lease Liability - Non-Current	4291		(394,503.00)
5	12/31/2024	Lease Liability - Non-Current	4291		(591,526.00)
5	12/31/2024	Lease Liability - Non-Current	4291	2,437,809.00	
5	12/31/2024	Accommodation CAMS charges and Running costs	7061		(212,107.00)
5	12/31/2024	Rental - Office and Storage	7091		(1,966,102.00)
5	12/31/2024	Business Continuity expenses	7581		(259,600.00)
5	12/31/2024	Depreciation - Right-of-Use Asset (ROUA)	8291		(392,344.00)
5	12/31/2024	Depreciation - Right-of-Use Asset (ROUA)	8291	2,109,285.00	
5	12/31/2024	Interest Expense - Lease Liability	8391	591,526.00	
		Being entry to record IFRS 16 adjustment.			
6	12/31/2024	Lease Liability - Current	4251		(205,678.00)
6	12/31/2024	Lease Liability - Non-Current	4291	205,678.00	
		Being entry to book current and non-current portions for lease liability.			
7	12/31/2024	Pensions - PSPB-DB - Employer's Contributions (Total)	7031		(8,558.56)
7	12/31/2024	Pensions - PSPB-DC - Employer's Contributions (Er)	7032		(484.13)
7	12/31/2024	Pensions - PSPB-DC - Employer's Contributions (Total)	7036	8,558.56	
7	12/31/2024	Pensions - PSPB-DB - Employer's Contributions (Er)	7037	484.13	
		Being entry to book amounts to correct pension GL codes.			
8	12/31/2024	Defined Benefit Pension - Asset	1651	240,000.00	
8	12/31/2024	Defined Benefit Pension - Asset	1651	2,675,000.00	
8	12/31/2024	Movement in Defined Benefit Pension	7041		(240,000.00)
8	12/31/2024	Remeasurement of Pension Valuation	9001		(2,675,000.00)

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		Being entry to book 2024 Dec year end defined benefit pension.			
9	12/31/2024	Allowance for Cash Equivalents	1646		(35.85)
9	12/31/2024	Allowance for Cash Equivalents	1646	9.33	
9	12/31/2024	Provision Expense IFRS 9	7763	993.61	
9	12/31/2024	Allowance for Investments (Income)/ Loss	9003		(967.09)
		Being entry to book IFRS 9 provision expense (P&L) 2024.			
10	12/31/2024	Cash Pan - Currency Reserve	1001	1,586.25	
10	12/31/2024	Cash Pan - Currency Reserve	1001		(1,586.25)
10	12/31/2024	RBC Royal Bank (Cayman) - USD Call - Currency Rese	1015		(1,946.33)
10	12/31/2024	Currency in Circulation - Notes issued	4001	1,382.50	
10	12/31/2024	Numismatic Coin Sales	6513	203.75	
10	12/31/2024	Gain/Loss on Foreign Currency Transaction	6701	360.08	
		Being an entry to book an adjustment for cash and currency reserves.			
11	12/31/2024	Post Retirement Benefit Health Care - Liability	4281	26,000.00	
11	12/31/2024	Post Retirement Benefit Health Care - Liability	4281	1,590,000.00	
11	12/31/2024	Post Retirement Benefit Health Care - Liability	4281		(338,000.00)
11	12/31/2024	Post Retirement Benefit Health Care	7013		(26,000.00)
11	12/31/2024	Remeasurement of HC Valuation	9002		(1,590,000.00)
11	12/31/2024	Remeasurement of HC Valuation	9002	338,000.00	
		Being entry to book Dec 2024 IAS 19 Post-retirement health liability.			
12	12/31/2024	Schroders Portfolio - Fixed Income Securities - Cu	1151	325,848.43	
12	12/31/2024	Schroders Portfolio - Unrealised Gain/Loss on Investment	1152		(325,848.43)
12	12/31/2024	Interest Income - Schroders Portfolio - Currency R	6012		(325,848.43)
12	12/31/2024	Gain/Loss on Debt Sec. At FV	9004	325,848.43	
		Access to reclassify Schroders MSB income.			
13	12/31/2024	Litigation Costs Reserve	5131		(1,000,000.00)
13	12/31/2024	Current Earnings	5141	1,000,000.00	

		Being entry to book amount to litigation cost reserve.			
14	12/31/2024	Capital Expenditures Reserve	5121		(5,000,000.00)
14	12/31/2024	Current Earnings	5141	5,000,000.00	
		Being entry to book net income to capital expenditure reserve.			
15	12/31/2024	General Reserve	5101		(2,573,246.00)
15	12/31/2024	Current Earnings	5141	2,573,246.00	
		Being entry to book 2024 net income allocation.			
16	12/31/2024	General Reserve	5101		(4,086,830.38)
16	12/31/2024	Current Earnings	5141	4,086,830.38	
		Being entry to book amount to other comprehensive income.			
17	12/31/2024	General Reserve	5101		(9,303,850.43)
17	12/31/2024	Capital Expenditures Reserve	5121	9,303,850.43	
		Being entry to book capital expenditure reserve.			
				36,922,655.25	**(36,922,655.25)**

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
18	12/31/2024	Employee Advances	1701		(176,296.22)
18	12/31/2024	Official Travel	7112	176,296.22	
		Being an entry to adjust/expense official travel advance.			
19	12/31/2024	Right-of-Use Asset	1750	392,344.00	
19	12/31/2024	Lease Liability - Non-Current	4291		(392,344.00)
		Being an entry to book the residual difference between the right-of-use asset and lease liability.			
				568,640.22	**(568,640.22)**

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
1. <u>Non-Compliance with the Public Authorities Act (PAA)</u> Section 47 of the Public Authorities Act (2020 Revision) (the "PAA") came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities and the public service's salary grades. The Portfolio of the Civil Service has completed an evaluation of the Authority's salary grades compared to the public service salary scales. However, CIMA did not accept the results of this evaluation. As such, management did not adjust the financial statements for the impact of section 47 of the PAA. Management has not estimated the potential impact of the evaluation and, as such, has not provided for it in the financial statements.	**Risks/Implications** CIMA is not yet in compliance with the Public Authorities Act (2020 Revision), section 47. As a result, CIMA's salaries continue to be out of line with the civil service pay scales. **Recommendations** Management should ensure that CIMA complies with section 47 of the Public Authorities Act.	CIMA accepts the OAG's recommendation. However, at this stage, CIMA is unable to implement this section of the Act in its current form without further on-going discussion because of the negative impact this adjustment would have on its recruitment efforts and ability to retain staff, which in turn would have a detrimental cascading effect on CIMA's ability to function effectively as the sole financial services regulator, the Cayman Island's financial services industry and by extension this jurisdiction Since November 2021 when the PoCS mandated CIMA to transition all positions and staff into the CIG Salary Scale using their Hay Methodology, and in the absence of details of this approach by the PoCS's and necessary market analysis that should have been applied when the PoCS initially placed CIMA's respective positions along the CIG Salary Scale, CIMA has been	**To be determined**

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
		continuously assessing what the implications of such actions would be. It has been communicated to the Ministry of Financial Services and the PoCS, that implementation of section 47 of the PAA would be no less than catastrophic not only for CIMA (as the sole financial services regulator in the Cayman Islands) but equally on the financial services industry in the Cayman Islands and, by extension, this jurisdiction. From the first assessment and analysis carried out, the impact showed that it would be severe and crippling from the Authority experiencing a mass exodus of its employees becoming 'red circled' (approximately 40%) or others at the top of newly imposed CIG salary bands; and others (approximately 2% – 13%) seeing a salary decrease on renewal of contract. This would be a direct hinderance of CIMA's ability to carry out its statutory responsibilities. CIMA would clearly no longer be in the best	

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
		position to attract or to retain candidates of the right calibre. Being of the opinion that the PoCS exercise was incomplete, with no details provided on the working conditions and market factor analysis applied in the final job evaluation document taking into account the unique skillsets required to perform the roles at CIMA, the Board of Directors of CIMA instructed that a comprehensive salary and benefits review be conducted. The scope of the review included a complete market, required skills benchmarking analysis (especially given that this detail was not shared by the PoCS although requested by CIMA in January 2022). The independent comprehensive Salary and Benefits benchmarking review for CIMA was carried out and it is now complete. A paper has been prepared for the Board of Directors of CIMA and to Cabinet, that details the implications of a transition for all CIMA staff in accordance with section 47 of the PAA. The position of the Board of	

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
		CIMA is unwavering even four years later, after communicating to the PoCS and to the Ministry, that they would no longer be prepared to carry out their fiduciary responsibilities with CIMA being placed in such a precarious position in the wake of upcoming (2027) and all other FATF and international assessments for the jurisdiction as a result of the loss of experts in the international arena. The paper includes recommendations for CIMA to remain competitive if placed in Central Government's compensation packages and the approximate cost of this transition to the Cayman Islands Government. This paper will then form part of CIMA's implementation of section 47.	
2. <u>Non-compliance with the Procurement Act and the Procurement Regulations – Entity Procurement Committee's approval not obtained</u> During the audit, we noted that a vendor contract in the amount of $100,125 directly without	**Risks/Implications** CIMA is not in compliance with the Procurement Act, as it is incurring costs without obtaining the necessary approval as per the procurement regulations. By not following the	The licensing costs charged by this vendor slightly exceeded the established procurement thresholds due to an unforeseen increase in the number of regulated entities requiring access to the REEFS system. Under the existing services agreement, this vendor licenses	**February 2025**

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
following procurement regulations and obtaining approval from the Entity Procurement Committee (EPC). The *Procurement Regulations, 2018*, require that a request for a direct award with a procurement value exceeding one hundred thousand dollars be endorsed by the Entity Procurement Committee, as applicable, before submission for approval to the Chief Officer or Chief Executive Officer.	procurement guidelines, CIMA may not be receiving value for money. **Recommendations** Management should adhere to the procurement regulations. This includes requesting and receiving approval from the Entity Procurement Committee for all vendor contracts exceeding the $100,000 threshold.	the REEFS platform for up to 45,000 entities. Any usage beyond this threshold incurs additional licensing fees. The growth in regulated entities to 47,403 in 2023 necessitated expanded access, thereby triggering these additional costs. Given that REEFS is proprietary software exclusively licensed by this vendor, it was not feasible for the Authority to initiate an open tender process or seek alternative vendors for this specific requirement. This is the licensees interface system that was procured in 2009 and supports ongoing operational processes. CIMA refers to the key provisions of the Regulations section 5 Direct Award, as it relates to the goods and services are required to match an existing brand of equipment for compatibility (including replacement parts) and comply with established entity specifications and standards, however, CIMA notes the OAG's comments. CIMA has provided procurement training for staff and schedules bi-monthly Entity Procurement Committee meetings	

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
		Recommendations accepted by Management.	
3. <u>Non-compliance with the Procurement Act and the Procurement Regulations – Entity Procurement Committee's approval was not obtained. (Recurring from prior year)</u> During the audit, we noted that a vendor contract in the amount of $114,200 was awarded directly without following the procurement regulations and obtaining the Entity Procurement Committee's (EPC) approval. The *Procurement Regulations, 2018*, require that a request for a direct award with a procurement value over $100,000 be endorsed by the Entity Procurement Committee, as the case may be, prior to submission for approval to the Chief Officer or Chief Executive Officer.	**Risks/Implications** CIMA is not complying with the Procurement Act. CIMA is incurring costs without the appropriate approval as per the procurement regulations. By not following the procurement regulations, CIMA may not be obtaining value from money for this procurement. **Recommendations** Management should adhere to the procurement regulations. This includes requesting and receiving approval from the Entity Procurement Committee and the CEO for all vendor contracts exceeding the $100,000 threshold.	The Authority has utilized this vendor's World-Check system since 2009 as a core component of its due diligence and risk screening processes. World-Check is widely recognized as an industry-leading solution and is considered the gold standard for identifying financial crime risks. Our licensing costs have increased due to two primary factors: annual price adjustments by the vendor and the expansion of user licenses to accommodate growth in staff headcount. Given the critical role World-Check plays in supporting our regulatory mandate and the limited number of comparable solutions with equivalent global coverage and reliability, the continued use of Refinitiv remains justified and appropriate. CIMA refers to the key provisions of the Regulations section 5 Direct Award, as it relates to the goods and services are required to match an existing brand of equipment for compatibility (including replacement parts), and comply with	**February 2025**

		established entity specifications and standards, however, CIMA notes the OAG's comments. CIMA has provided procurement training for staff and schedules bi-monthly Entity Procurement Committee meetings Recommendations accepted by Management.	
4. <u>Non-compliance with the Procurement Act and the Procurement Regulations – Entity Procurement Committee's approval was not obtained.</u> During the audit, we noted that a vendor contract in the amount of $111,703 was awarded directly, without following procurement regulations or obtaining approval from the Entity Procurement Committee (EPC). The *Procurement Regulations, 2018*, require that a request for a direct award with a procurement value exceeding one hundred thousand dollars be endorsed by the Entity Procurement Committee, as applicable, prior to submission for approval to the Chief Officer or Chief Executive Officer.	**Risks/Implications** CIMA is not complying with the Procurement Act; it is incurring costs without obtaining the necessary approval under the procurement regulations. By not following the procurement regulations, CIMA may not be receiving value for money. **Recommendations** Management should ensure that the Cayman Islands Monetary Authority adheres to the procurement regulations. This includes requesting and receiving approval from the Entity Procurement Committee for all vendor contracts exceeding $100,000.	The contract to partner with this Mint to produce additional coins in the "sea life programme" was considered to be an extension of a prior coin Programme that had already been successfully managed by this Mint. This contract allowed the Authority to continue to source numismatic coins for sale locally at a marginal markup which covered all production and shipping costs. It also provided royalties on coins sold by the Mint on behalf of the Authority. Approval was also sought and received from Cabinet for this Programme before signing the agreement. Note that this contract was executed in 2023 for coins dated 2023- 2027. Recommendation accepted by Management.	**February 2025**