CABINET OFFICE

Report to those charged with governance on the 2024 audit

July 2025 (finalised May 2026)

To help the public service spend wisely

TABLE OF CONTENTS

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2024 financial statements of the Cabinet Office (the "Office"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Office 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 of those charged with governance those matters arising from the audit of the 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 release all final reports proactively through our website: 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 as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on 13 September 2024 to which this engagement was subject. 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 will read the other information contained in the Office'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 Cabinet Office. Pursuant to the terms of the audit engagement, we will confirm with management that we have not found any such material inconsistencies.

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, was outlined in the Engagement Letter presented to the Cabinet Secretary and Chief Officer on 13 September 2024 and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an unmodified auditor's report on the 2024 financial statements. The audit opinion was accompanied by an emphasis of matter based on information outlined in note 24 of the financial statements.

   The Cabinet Office authorised supplementary appropriations for the Office under section 12 of the Public Management and Finance Act (2020 Revision) ("PFMA"), increasing its 2024 operating budget by $597,000 and the capital budget by $2,003,000. A supplementary Appropriations Bill for the additional funding was not introduced in Parliament by 31 March 2025 as required by section 12(6) of the PMFA.

9. A summary of total uncorrected audit misstatements amounts to ($47,880) included in Appendix 1, total corrected misstatements – client adjustments ($525,863) included in Appendix 2, and a summary of total corrected misstatements – audit (OAG) adjustments ($1,064,720) identified during the period is included in Appendix 3.

10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts and judgments and estimates made for the 2024 financial statements. These representations were provided to us on 3 July 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Office's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Office to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are unaware of any areas where the significant accounting practices have changed from the previous year or are inconsistent with general industry practice. In addition, we are unaware of any new or controversial accounting practices reflected in the Office's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- Depreciation and amortization ($395 thousand)
- Allowance for credit losses ($2,511 thousand)

GOING CONCERN DOUBTS

13. 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 Office's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

14. Details of the significant deficiencies identified during our audit are noted in Appendix 4, along with management's response.

FRAUD OR ILLEGAL ACTS

15. Applicable auditing standards recognise that the primary responsibility for preventing and detecting 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,

with the oversight of those charged with governance, strongly emphasises fraud prevention and fraud deterrence. They are also responsible for establishing and maintaining controls pertaining to the Office'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. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.

16. 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.

17. Our audit did not reveal fraud or illegal acts. However, we have noted instances of non-compliance that we have reported as control deficiencies in connection with paragraphs 14 above.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

18. There were significant delays and untimely submission of audit requests and IT Design and Implementation controls testing support requests.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

20. There were no other significant matters noted.

ACKNOWLEDGEMENTS

21. We would like to express our thanks to the staff of the Cabinet Office for their help and assistance during the audit of this year's financial statements.

Yours faithfully,

Patrick O. Smith CPA, CFE
Auditor General

Date: 20 May 2026

APPENDIX 1 – SUMMARY OF UNCORRECTED AUDIT MISSTATEMENTS – AUDIT (OAG) ADJUSTMENTS

	Assets DR/ (CR)	Liabilities DR/ (CR)	Equity DR/ (CR)	Income DR/(CR)	Expenses DR/ (CR)
Impact of corrected client adjustments	47,880	-	(47,880)	(47,880)	-

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	UK Office Bank Account	12012	47,880	
1	12/31/2024	Miscellaneous Sales	45002		(47,880)
		Being an entry to recognize revenue received via auction disposals of vehicles.			
		Sub-total of uncorrected audit adjustments		**47,880**	**(47,880)**
		Total of uncorrected audit adjustments		**47,880**	**(47,880)**

APPENDIX 2 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS – CLIENT ADJUSTMENTS

	Assets DR/ (CR)	Liabilities DR/ (CR)	Equity DR/ (CR)	Income DR/(CR)	Expenses DR/ (CR)
Impact of corrected client adjustments	(39,432)	(190,425)	265,324	(47,450)	11,983

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	Surplus Repayment	32007	222,009	
1	12/31/2024	Surplus Payable	23422		(222,009)
		Adjustment to surplus payable after adjustments			
2	12/31/2024	Prior period adjustment	32006	11,383	
2	12/31/2024	Subscription – Association	57167	11,983	
	12/31/2024	Accruals – Other	20150		(23,366)
		Being an adjustment for the Radio Cayman licensing fee for 2023 and 2024 not accrued for.			
3	12/31/2024	Contributed Capital	35001	128,735	
3	12/31/2024	Other Receivables	12012		(128,735)
		Reducing the EI drawdown			

4	12/31/2024	Other receivables	12012	96,803	
4	12/31/2024	Contributed Capital	35001		(96,803)
		Being an adjustment to recognize EI drawdown			
5	12/31/2024	Accruals – Other	20150	7,500	
5	12/31/2024	Fixed Assets Mass Additions Clearing a/c Correct duplication of assets (My Marketing invoice). Correction of over accrual.	17020		(7,500)
6	12/31/2024	Other unearned coercive revenue	21400	47,450	
6	12/31/2024	Sale of Gazettes and Subscriptions	42113		(47,450)
		To recognize the December 2023 Gazette revenue earned in January 2024			
		Sub-total (client corrected adjustments)		**525,863**	**(525,863)**

APPENDIX 3 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS - AUDIT (OAG) ADJUSTMENTS

Sixteen corrected audit (OAG) adjustments of a gross value of $1,064,720 made during the period.

	Assets DR/ (CR)	Liabilities DR/ (CR)	Equity DR/ (CR)	Income DR/(CR)	Expenses DR/ (CR)
Impact of corrected audit adjustments	(106,115)	(34,691)	327,349	(116,797)	(69,746)

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	Financial Attest Services	55506	13,625	
1	12/31/2024	Accruals - Other	20150		(13,625)
		Being an entry to adjust the audit engagement fee.			
2	12/31/2024	Prior period adjustment	32006	81,680	
2	12/31/2024	Trade Receivables – Sale of Goods and Services	12103		(81,680)
		To adjust receivables amounts received in the prior year.			
3	12/31/2024	Doubtful Debt Expense	58505	7,406	
3	12/31/2024	Trade Receivables – Sales of Goods and Services	12103		(7,406)
		To write-off old audit adjustment relating to receivable.			
4	12/31/2024	Prior Period Adjustment	32006	14,281	
4	12/31/2024	Professional Fees	54256		(4,813)
4	12/31/2024	Miscellaneous	54428		(9,468)
		Being a cut-off prior year adjustment			

5	12/31/2024	Legal Fees	54264	5,950	
5	12/31/2024	Provisions	23100		(5,950)
		Being and entry for additional legal provision			
6	12/31/2024	Contributed Capital	35001	244,184	
6	12/31/2024	Construction in progress	17021		(193,108)
6	12/31/2024	Staff Welfare	50074		(50)
6	12/31/2024	Official Travel – Expense	50224		(3,869)
6	12/31/2024	Training	50229		(28,744)
6	12/31/2024	Food/Dietary Supplies	50602		(40)
6	12/31/2024	Computer and Communication	50962		(159)
6	12/31/2024	Electricity	51405		(3,468)
6	12/31/2024	Telephone Charges	51430		(3,270)
6	12/31/2024	Freight and Shipping	54300		(98)
6	12/31/2024	Maintenance – Office Equipment	54320		(1,420)
6	12/31/2024	Maintenance – Other Equipment	54324		(348)
6	12/31/2024	Maintenance – Vehicles	54334		(700)
6	12/31/2024	Research and Developments	55005		(2,245)
6	12/31/2024	Purchase of Fuel- DVES	55531		(1,761)
6	12/31/2024	Lease of Sites or Building	58001		(4,904)
		Being an adjustment to adjust accruals transferred to Cabinet			
7	12/31/2024	Accrued Prepayment	12009	135,009	
7	12/31/2024	Contributed Capital	23422		(135,009)
		To correctly adjust prepayments transferred to Cabinet			
8	12/31/2024	Professional Fees	54256	6,426	
8	12/31/2024	Transportation	54405	4,103	
8	12/31/2024	Accruals - Other	20150		(10,529)
		To recognized unrecorded 2024 liabilities			

9	12/31/2024	Provision for Doubtful Debts	12501	34,405	
9	12/31/2024	Doubtful Debt Expense	58505		(34,405)
		To adjust the 2024 Expected Credit Loss			
10	12/31/2024	Movement in Annual Leave Provision	50150	49,106	
10	12/31/2024	Long service leave and other leave entitlements	22100		(43,844)
10	12/31/2024	Accrual – Annual Leave	22106		(5,262)
		Being and entry to recognize the additional leave liability			
11	12/31/2024	Accruals – Other	20150	110,908	
11	12/31/2024	Training	50229		(78,783)
11	12/31/2024	Office Supplies – Consumables	51001		(32,125)
		Being and entry to correct and open purchase order			
12	12/31/2024	Accruals – Other	20150	21,419	
12	12/31/2024	Official Travel – Expense	50224		(21,419)
		Being and entry to reverse an accrual for travel expenses			
13	12/31/2024	Training	50229	16,302	
13	12/31/2024	Maintenance – Radios/Transmitter	54319	1,447	
13	12/31/2024	Software Licensing Fee	54352	49,670	
13	12/31/2024	Information Systems Services	54420	12,211	
13	12/31/2024	Accrued Prepayments	12009		(79,630)
		Being an entry to recognize expensed prepayments			
14	12/31/2024	Contributed Capital	35001	122,213	
14	12/31/2024	Other Current liabilities	23400		(122,213)
		Being a reversal of the equity injection and creating a payable to org 4.			

15	12/31/2024	Other receivables	12012	120,700	
15	12/31/2024	Gain on Sale of Assets	45002		(116,797)
15	12/31/2024	Depreciation Other Plant & Equipment	60012		(3,903)
		Clear out of revenue and depreciation created by the system on disposal in executive books.			
16	12/31/2024	Other Receivables	12012	13,675	
16	12/31/2024	Fixed Assets Mass Additions	17020		(13,675)
		Being a radar part paid for in year and coded to 17020. The part is not yet received and is an executive asset.			
		Subtotal for corrected audit adjustments (OAG suggested)		**1,064,720**	**(1,064,720)**
		Grand Total for all corrected audit adjustments		**1,590,583**	**(1,590,583)**

Office of the Auditor General
CAYMAN ISLANDS

APPENDIX 4 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Observation accepted by management (Yes/No)	Management Response	Implementation date
1. <u>Inadequate follow-up process on accounts receivable balances</u> There is no formal process in place to follow up on long-standing accounts receivable (AR) balances. The balance of AR greater than 180 days ageing category increased by $741K (2023: $766K) from the prior year. The total accounts receivable greater than 180 days as of 31 December 2024 was $4.2m (2023: $3.4m), which translates to 63% of the gross trade receivables balance.	**Risk/ Implication:** There is a risk that the Cabinet Office may incur financial loss due to non-collectable debts. **Recommendation:** Management should ensure that the Ministry follows up on and recovers all outstanding debts in a timely manner. This could be done through various means, including sending monthly statements and making regular follow-up phone calls to respective debtors.	Yes	Management acknowledges that there is a lack of formal process, however we do follow up on accounts receivables processes at intervals throughout the year. The Portfolio has finalized the draft "Credit Policy" which will assist teams with guidelines on credit and collections. Third party receivables balances are fairly steady year on year, however 2025 will see a large improvement on related party balance collection and with additional resource obtained for the 2026-27 budget period we anticipate also making inroads into the third party AR balances as we enter 2026.	Additional resource secured end 2024, improvements on follow ups and collection of old balances shown throughout 2025

Observation	Risk/Implication and Recommendation	Observation accepted by management (Yes/No)	Management Response	Implementation date
2. <u>Non-compliance with the Procurement Act and Procurement Regulations. No signed contracts with suppliers</u> Per Section 16 (6)(a) of the Procurement Regulations, the entity and the supplier shall sign the procurement contract within a reasonable period of time after the notice of acceptance is dispatched to the supplier. During the year ended 31 December 2024, the Office spent approximately $118K (2023: $129K) on printing gazettes and $75K (2023: $135K) on events delivery. We noted that the Office does not have signed contracts with the respective	**Risk/ Implication:** Without a contract stipulating the terms and conditions of service provision, the Office may have no recourse in the event of disputes with the service provider. Additionally, the Office may be subject to arbitrary changes in pricing and other terms and conditions in the absence of a binding contract, which could affect the value for money. **Recommendation:** Management should ensure that the Office has contracts for services frequently	Yes	Management accepts these findings and the risks attached. Despite best endeavours we have not made significant progress on these points between 2023 and 2024. This is largely due to resource pressures – the Cabinet Office finance team will be expanded in 2026 and we anticipate that this is an areas we will be able to dedicate more resource to. **Quick images:** this concern is noted and during 2025 the Department with responsibility for "gazette priniting" has discontinued mass printing of Gazettes, other than where requests have been received. **Celebrations:** Each time we have engaged Celebrations we have procured this competitively and secured value for money in doing so. Business is awarded on the basis of itemized quotes. Whilst there is	Cessation of Gazette printing – 30 June, 2026. No large expenditure for Celebrations in 2025

Observation	Risk/Implication and Recommendation	Observation accepted by management (Yes/No)	Management Response	Implementation date
service providers, despite frequently engaging them.	procured from major service providers to ensure value for money.		no formal contract, acceptance of the itemized quotes and scope of works constitutes an agreement. However, management acknowledges the OAG recommendation that a formal contract woud be more secure. We will endeavor to work with this supplier to use a formal contract for services if we engage them in future.	
3. <u>Non-compliance with the Procurement Act and Procurement Regulation: Failure to publish contract awards on the CIG procurement portal (Bonfire)</u> Section 5(4) of the Procurement Regulations and section 19 (1) requires that an entity shall publish a notice of an award $10,000 or greater of the procurement contract on the website designated by the	**Risk/ Implication:** Non-compliance with procurement regulations may lead to litigations against the Office. Management may not be able to adequately demonstrate value for money.	Yes	Management notes and agrees with this recommendation regarding publishing and will provide training to all managers on this point Given the extensive volume of procurement which Cabinet Office undertakes this is an incredibly resource intensive task and unfortunately some items have been missed. However please also note there is an inaccuracy in relation to the telecommunications provider listed - there is not a single contract this is a	Training to be provided in 2026.

Observation	Risk/Implication and Recommendation	Observation accepted by management (Yes/No)	Management Response	Implementation date
Central Procurement Office within thirty days of the entry into force of the contract. Furthermore, an shall entity publish a notice of an award where the total procurement value is less than $10,000 within one year of the award. The Office failed to publish a notice of an award for contracts awarded to a telecommunications service provider ($151,000), an advisory firm ($150,400), and an event hiring supplier ($107,700).	**Recommendation:** Management should ensure that the Ministry complies with the Procurement Act and Regulations and publish a notice of award for contracts exceeding $10,000 on the website designated by the Central Procurement Office, i.e., Bonfire.		combination of multiple different contracts for different services for different departments, each properly procured and at the appriopriate time	
4. <u>Excessive output billing unit price</u> The unit price for output billing is the original budget category, divided by the lower limit for quantity range for measure. The Ministry budgets	**Risk/ Implication:** There is a risk that the Office may be over-billing Cabinet. **Recommendation:**	Partial	Cabinet Office bills on a per unit cost, the units of ouput delivery are determined during the biannual budget process. A surplus indicates that the outputs were able to be delivered in a more cost effective	Management will consider using cost recovery in 2026. We will communicate the

Observation	Risk/Implication and Recommendation	Observation accepted by management (Yes/No)	Management Response	Implementation date
for zero (0) profit year-on-year; however, the Office has had a big surplus year-on-year, in 2024 the surplus was $1,6m (2023: 2m).	Management should re-assess how they bill outputs and consider using the cost recovery method.		way than budgeted and this can be for a variety of reasons including high performance, market conditions, changing government priorities amongst other things. All surplus is returned to Cabinet and therefore it is not retained as additional cash by the Portfolio. We do also perform regular expenses vs revenue comparisons and where we feel that we are drawing down more cash than is required against a particular output we may pause billing for that output until the expenses catch up. At year end we do also make a billing correction.	outcome of this assessment to OAG before the end of 2026.