MARITIME AUTHORITY OF THE CAYMAN ISLANDS

Report to those charged with governance on the 2024 audit

July 2025

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 2024 financial statements of the Maritime Authority of the Cayman Islands (“the Authority”). In providing my audit opinion on the financial statements I relied on the work carried out on my behalf by a private accounting firm. The firm performed its work in accordance with International Standards on Auditing (ISAs). The 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.
   - 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 2024 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 dated 10 January 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 will read the other information contained in the Authority's annual report. The purpose of the review is to confirm that the information in the annual report is materially consistent with information appearing in the financial statements and 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. The accounting firm applied a risk-based approach to planning and conducting the audit, with the audit procedures focused on balances, transactions and disclosures that are considered higher risk (or a higher likelihood of material misstatement). The risk assessment was based on the firm's understanding of the Authority and its environment, including its objectives, strategies, operations, governance structures and internal controls. They also obtained an understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements and reviewed the Authority's business process and internal controls.

8. The accounting firm's overall audit strategy was to test the design and implementation of controls for significant risks identified and then to take a fully substantive approach.

9. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter presented to the Chief Executive Officer on 10 January 2025 and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors, including that of the private auditing firm.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

10. We have issued a qualified opinion (modified auditor's report) on the 31 December 2024 financial statements. We qualified the 2024 financial statements because:

    - For the year ended 31 December 2024, MACI recorded sales of new build safety and surveyor fees of $2,198,296. However, management made a debit entry of $1,391,735 to defer amounts received in advance from customers for performance obligations satisfied over time in accordance with the Authority's accounting policy and IFRS Accounting standards. This management entry reduced the sales of new build safety and surveyor fees reported in sales of goods & services in the statement of comprehensive income to $806,561 (2023: $1,953,214). Management were unable to determine if any adjustments were required to defer sales from new build safety and surveyor fees as at 31 December 2023 and 2022. As such, we were unable to obtain sufficient appropriate audit evidence for which financial reporting period the $1,391,735 debit entry relates. Consequently, we were unable to determine whether any adjustment to revenue for the years ended 31 December 2024 and 2023, retained earnings as at 1 January 2023, and unearned revenue as at 31 December 2023 were necessary.

- For the year ended 31 December 2023, sales of goods and services totaling $9,522,001 are included in revenue in the statement of comprehensive income for the year ended 31 December 2023. Of this amount, $261,137 relates to a management entry that increased trade receivables in the statement of financial position to $1,055,253, so that it equals the balance per the trade receivable sub-ledger. Management were unable to provide a population of individual revenue transactions for the $261,137 increase to revenue for testing. As such, we were unable to obtain sufficient appropriate audit evidence for the existence of the credit entry made to sales of goods and services nor to which financial reporting period it relates. Consequently, we were unable to determine whether any adjustments to opening retained earnings at 1 January 2023, trade receivables at 31 December 2023 and revenue for the year ended 31 December 2023 were necessary.

11. Appendix 1 provides information on the audit adjustment made to the financial statements. A total of 13 adjustments, which had a $1.5 million impact on the Statement of Comprehensive Income. Appendix 2 summarises the uncorrected material misstatements identified.

12. 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 19 June 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

13. 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.

14. 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

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

- Recoverability of trade receivables considering Expected Credit Losses.
- Discount rates used to measure lease liabilities on initial recognition.
- Actual and projected service hours for surveyors in determining unearned revenue for new build safety and surveyor fees.
- Valuation of post-retirement employee benefit plans – pension and healthcare obligations.

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.

MATERIAL WEAKNESSES IN INTERNAL CONTROL

17. We identified eight significant deficiencies identified during our audit. These are noted in Appendix 3, along with management's response.

18. We also identified four other deficiencies in control that we have not deemed to be significant. These have been reported separately to management.

FRAUD OR ILLEGAL ACTS

19. 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 the oversight of those charged with governance; place a strong emphasis on fraud prevention, and fraud deterrence.

20. 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. 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.

21. 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.

22. 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.

23. No fraud or illegal acts came to our attention as a result of the 2024 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

26. We would like to bring to your attention that the Authority has substantial defined benefit retirement healthcare liabilities of $4,770,000 which are currently unfunded. These liabilities will need to be funded from the operational cash flows of the Authority as employees retire.

ACKNOWLEDGEMENTS

27. We would like to express our thanks to the staff of the 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 MISSTATEMENTS

	Account description and adjustment details	Impact on Statement of Financial Performance			Impact on Statement of Comprehensive Income
		Assets	**Liabilities**	**Equity**	
1.	Other Comprehensive Income – Pension			1,562,000	
	Other Comprehensive Income - Post Retirement Healthcare			(1,562,000)	
To match the TB to the Financial statements due to historical differences.					
2.	Survey fee – New build Yacht				1,102,844
	Deferred Revenue – New build Yacht		(1,102,844)		
To recognise the deferred revenue liability on new build vessels.					
3.	Accruals		79,905		
	Lease of sites or buildings				(79,905)
To reverse erroneous accrual of prior period expenses.					
4.	Accruals		51,847		
	Employee performance pay				(51,847)
To release the remaining 2023 EPRP held in the balance sheet at 31 December 2024.					
5.	Accumulated depreciation of right-of-use assets	(10,208)			
	Right-of-use assets – UK lease	84,212			
	Lease liability (within 1 year) – UK Office		(8,685)		
	Lease liability (Non-current) – UK Office		(67,332)		
	Finance charge (lease) – UK Office				4,603
	Lease of sites or buildings				(12,798)
	Depreciation – Right-of-use assets – UK Office				10,208
To recognise Right-of use assets on initial recognition for UK Office lease (2nd floor).					
6.	Right-of-use assets – Harbour Walk	391,343			
	Accumulated depreciation of right-of-use assets	8,413			
	Lease liability (within 1 year) – Harbour Walk		39,857		
	Lease liability (Non-current) – UK Office		28,315		

	Account description and adjustment details	Impact on Statement of Financial Performance			Impact on Statement of Comprehensive Income
		Assets	Liabilities	Equity	
	Lease liability (Non-current) – Harbour Walk		(391,343)		
	Lease liability (Non-current) – Harbour Walk		(95,411)		
	Finance charge (lease) – Harbour Walk				27,239
	Depreciation – Right-of-use assets – Harbour Walk				(8,413)
Remeasurement of the GT office from a 5-year lease term to 10 years.					
7.	Accumulated depreciation Furniture & Fittings	(19,602)			
	Accumulated depreciation Leasehold Improvements	(14,313)			
	Depreciation Furniture & Fittings				19,602
	Depreciation Leasehold Improvements				14,313
To correct depreciation charge for the year on Furniture & Fittings and Leasehold Improvements.					
8.	Retirement liability – Pension		967,000		
	Retirement liability – Health care		595,000		
	Other Comprehensive Income – Pension			(1,006,000)	
	Other Comprehensive Income – Post-retirement Health Care			(1,116,000)	
	Health Care				(37,000)
	MACI Pension Contributions (employers only)				(123,000)
	Past Service Pension Liability				162,000
	Post-retirement Health Care Liability				558,000
Correction to true up pension and healthcare balances to actuary reports.					
9.	Trade Creditors (System only)		(2,700)		
	Opening balance – Net Worth			2,700	
To reclassify the variance between opening balance Retained earnings and Accounts Payable.					
10.	MACI Pension Contribution (employers only)				37,163
	Past Service Pension Liability				(37,163)
Reclassification of ER pension contribution to other pension expenses.					
11.	Health Care				8,379
	Post-Retirement Health Care Liability				(8,379)

	Account description and adjustment details	Impact on Statement of Financial Performance			Impact on Statement of Comprehensive Income
		Assets	Liabilities	Equity	
Reclassification of ER contributions to health insurance expenses.					
12.	Retirement Liability – Pension		26,000		
	Other Comprehensive Income – Pension			(26,000)	
Decrease in pension liability due to pensions census data differences.					
13.	Accruals		68,765		
	Employee Performance Pay				(68,765)
To correct overprovision in Employee Performance Pay for 2024.					
	Total adjustments	**439,845**	**188,014**	**(2,145,300)**	**1,517,441**

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

	Description	Impact on Statement of Financial Position	Impact on Statement of Comprehensive Income
1.	Provision for Doubtful Debts	(21,463)	
	Debt write-off		21,463
Under provision as a result of incorrectly taking into account payments received for invoices not related to 2024.			
2.	Lease Liability (within 1 year) – UK Office	2,473	
	Lease Liability (Non-current) – UK Office	7,751	
	Foreign Exchange Gain/(Loss)		(10,224)
To recognise the foreign exchange gain on the UK Office lease liability.			
3.	Accumulated Depreciation Vehicles	(10)	
	Accumulated Depreciation Furniture & Fittings	4,516	
	Accumulated Depreciation Computer Hardware	534	
	Accumulated Depreciation Computer Software	(2,521)	
	Accumulated Depreciation Equipment	(189)	
	Accumulated Depreciation Leasehold Improvements	22,363	
	Accumulated Depreciation Other Assets	(2,016)	
	Deprecation Vehicles		10
	Depreciation Furniture & Fittings		(4,516)
	Depreciation Computer Hardware		(534)
	Accumulated Depreciation Computer Software		2,521
	Depreciation Equipment		189
	Depreciation Other Assets		2,016
	Depreciation Leasehold Improvements		(22,363)
To correct depreciation charge for the year due to use of wrong useful lives.			
	Total unadjusted misstatements	**11,438**	**(11,438)**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
1. <u>Deficiencies in the tracking of projects in the new build log to support new builds survey fees</u> During the year ended 31 December 2024 management conducted a remediation exercise to determine the amount of deferred revenue at 31 December 2024 from new vessel survey fees. To determine the stage of completion, the new build log was modified to capture data elements that would enable management to estimate percentage stage of completion based upon hours incurred to date as a total of budgeted hours on a project. Discussion with management and audit testing noted the following deficiencies in this process:	**<u>Risks/implications:</u>** Updates to the new build log are done manually and there is a lack of formal control documentation of the checks to be performed each time the new build log is reviewed. This may result in erroneous input data and arithmetical errors in the spreadsheet not being prevented or detected, which would result in misstated deferred revenue and revenue balances. The failure to track the time of Internal Surveyors on projects increases uncertainty in the estimated time incurred to date on in-house projects. This increases the	Yes	The Safety & Compliance newbuild log was not designed as an accounting tool but the data therein was sufficient to provide a reasonably accurate estimate of deferred revenue. The newbuild log has now been amended to capture deferred revenue on a continuous basis. Random sample checks on the newbuild log data will be included within the scope of the Safety & Compliance internal auditor's work. Internal surveyors are now using budget trackers. Our IT department is investigating a solution that	New build log now amended.

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
• There was no clear documentary evidence of the review conducted of the new build log at yearend. • There was no tracking of project hours incurred by Internal Surveyors; • The new build log is maintained in an excel spreadsheet and updated manually.	risk of material misstatement in the financial statements. **Recommendations:** We recommend that management formally document the reviews and checks to be performed over the new build log when being used for estimating revenue earned to date on new vessel surveys. The documentation and checks at a minimum should include: • Checking a sample of projects and verifying key data elements (such as total contract value, total budgeted hours, hours incurred to date) back to relevant source documents. • Identifying cells containing formulas and reviewing these formulas to ensure they are operating as intended. For surveys completed by Internal Surveyors, budget trackers should		meets both Safety & Compliance and Finance & Accounting needs.	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	be prepared and maintained. The assigned Internal Surveyor should complete project time sheets in order to track hours incurred to date by internal surveyors. Management should consider, in the longer term, an automated project management system with timesheet tracking to minimize the challenges that arise in gathering consistent information, project tracking and resourcing.			
2. <u>Lack of documented process for calculating the Accounts Receivables: Expected credit loss provision (ECL)</u> Management do not have a documented process for reviewing the model used to calculate the ECL provision. The Head of Finance prepares and records the ECL provision in the general ledger and financial statements. The calculation of the	**<u>Risks/Implications:</u>** The lack of a documented process means that it is not possible to assess the design and implementation of the controls in place. Further it creates the risk of inconsistent performance of the	Yes	Management Agrees with this audit recommendation and will document the controls check.	Q3 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
provision is done using an Excel spreadsheet. The source data is taken from Microsoft Dynamics using standard reports and then formulas are applied to the source data to calculate the required amounts. The results of this analysis are then posted into Microsoft Dynamics. As part of walk-through procedures, we did not identify any documentary evidence of controls performed to review the completeness and accuracy of the data used in the calculation and to check the formulas applied in the model for appropriateness and consistency.	control which may lead to errors not being prevented or detected. Review of the model identified errors that resulted in factual misstatements to the provision. **<u>Recommendation:</u>** Management should formally document the controls over the ECL provision and ensure documentary evidence of those checks are retained on file. The documentation at a minimum should cover the following points: • Checking that data has been completely and accurately extracted from source systems on a sample basis. • Reviewing of all formulas in the model. • Reviewing of the journal entry made to Microsoft Dynamics against the reviewed workings.			

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
3. <u>Errors in the census data used to calculate defined benefit pension and healthcare liabilities</u> Errors were identified in the census data for the defined benefit pension defined benefit healthcare liability which had been signed off by management and submitted to management's consulting actuaries.	**<u>Risk/Implication:</u>** Errors in input census data used by management's consulting actuaries will result in misstatement to the estimation of the defined benefit pension defined benefit healthcare liability. **<u>Recommendations:</u>** Management should perform random sample checks on employee data back to source documentation each year to ensure the data is correct prior to signing off the form submitted to the actuary. Additionally, management should consider kick-off calls with management's consulting actuary each year to ensure that they understand the key data elements the actuaries are relying upon and that these are up to date.	Yes	Management accepts this audit recommendations regarding checks on the census data and kick-off calls with the actuary each year.	Q4 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
4. <u>Non-compliance with the Procurement Act and Regulations</u> Review of the procurement process indicated that the Authority was not in compliance with Procurement Regulation (2022 Revision) Section 5 when directly awarding work to specialist external contractors. Management appointed 45 (2023: 45) surveyors and independent contractors by direct awards with a total contract value of $2,370,159 (2023: $2,445,101). The regulation requires the following for any direct award: • To be related to one of the categories under Regulation 5(1) as a justification for a direct award. • To be requested and approved by the appropriate authority in accordance with the thresholds prescribed by Regulation 5(3). • To be published within thirty days with the details required under Regulation 5(4).	**<u>Risks/Implications:</u>** Non-compliance with procurement regulations may lead to litigations against the Authority. Management may not be able to demonstrate value for money. **<u>Recommendations:</u>** Management should comply fully with the relevant laws and regulations. Management should carry out an annual review of the Authority's expenditure to determine if the supply of goods/services from one source will exceed the procurement thresholds and consider whether better value for money could be achieved by entering into a contract with the supplier through a tendering process.	Yes	The Government of the Cayman Islands/MACI are obliged under International Conventions and the UK's Categorisation Order to ensure that they have suitably qualified personnel. Consequently, MACI employs specialised and highly technical individuals globally. This results in difficulties when recruiting individuals to fill these roles. Unlike a traditional procurement/tendering process, the fixed fee rate, terms of the engagement and controls for each individual supplier are set down by MACI and periodically reviewed. The process adopted by MACI provides value for money and is transparent and inclusive. MACI has updated its Procurement Policy and an Entity Procurement Committee has	Q4 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
• To be endorsed by the Public Procurement Committee, if the procurement value exceeds $250,000. In addition, Regulation 3 requires that a business case is developed for procurement projects exceeding $100,000.	Where there is only one supplier for particular commodities, formal documentation should be prepared and retained for future reference.		been formed which will endeavour to be compliant with laws and regulations.	
	<u>Recommendation:</u> Management should consult with the Central Procurement Office to discuss the above issue and identify an appropriate solution to ensure compliance with the Procurement Act and Regualtions.	Yes	Management agrees with this recommendation and has established an Entity Procurement Committee (EPC) and has been in contact with the Central Procurement Office so that the Authority can identify an appropriate solution to become compliant with the Procurement Act.	Q2 2025
5. <u>Errors in the information used to calculate employee performance rewards</u> To determine if an employee performance reward can be paid, the current year	**<u>Risks/Implications:</u>** Using inaccurate data and formula errors to determine whether an employee performance reward can be paid and the minimum and maximum allocation amounts may result in the wrong decisions being	Yes	Management agrees with this audit recommendation which will be implemented	Q4 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
audited net income is compared to the 5-year rolling average audited net income. Audit testing identified that the net income figures for prior years had not been updated to reflect restated audited results following adjustments to the financial statements. An adjustment of $$68,765 was made to the financial statements to correct this (see Appendix 1). Where the criteria for an employee performance reward is met the Cabinet-approved program allows management to make an allocation of between 15% and 40% of current year net income. Substantive testing identified that management's working was assessing the permittable allocation based on 15%-40% of the 5-year audited average net income. The employee performance reward paid to employees during 2024 for the 2023 performance year was different to the amount accrued at 31 December 2023. This difference was not released to the	made. It may also result in employee performance rewards that are erroneous and at amounts which are below the minimum or maximum allowed as per the Cabinet approved policy. Not releasing the difference between the accrued amount and the amount paid for a performance year results in a misstatement to the financial statements. **Recommendations:** Management should implement a formal review process of the workings used to determine if a performance reward for a performance year is allowable and the minimum and maximum amounts that can be awarded. This should at a minimum include the following checks:			

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
current year profit or loss. An adjustment of $51,487 was made to the financial statements to correct this (see Appendix 1).	• Agreeing prior year audited net income to the prior year financial statements. • Reviewing formula logic to the requirements of the Cabinet approved employee performance reward program for consistency. • Reviewing the paid performance reward against the amount accrued for the prior year performance reward and ensuring this is release to profit or loss. Evidence of these checks should be retained.			
6. <u>Absence of Audit Committee meeting minutes</u> Audit review of the current year's meeting minutes and discussions with management indicated that no formal records were kept for Audit Committee meetings held during	**<u>Risks/Implications</u>**: The lack of formal records may reduce the effectiveness of governance and oversight by the Audit Committee.	Yes	The Board acknowledges and agrees with this recommendation. The Committee will be restructured with replacement members as a result of retiring directors from the BOD. The committee will	Q4 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
the year. Specifically, there were no agendas, meeting summaries, or action logs to document key discussions, decisions, or follow-ups.	It can result in incomplete audit trails, which may lead to challenges in tracking key issues, decisions, and follow-up actions, potentially impacting accountability and transparency. **Recommendation:** We recommended that formal meeting minutes are maintained for each audit committee discussion. These records should be reviewed and approved by the Committee and retained in accordance with governance best practices.		convene meetings as appropriate.	
7. Quality of the draft accounts and supporting working papers We noted that improvements are needed to the quality of draft accounts provided for audit. This is because: • A significant number of adjustments were made by management after	**Risks/Implications:** Multiple adjustments to the draft accounts increase the risk of error in the financial reporting process. Undetected errors in the financial statements may lead to	Yes	Management acknowledges and accepts this audit recommendation. We have introduced a year-end closeout review process which identifies adjustments agreed and posted to form the final draft audited financials. However, as in the previous year certain changes to	Q4 2024

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
providing the initial draft accounts for audit (See Appendix 1). • As a result, amendments were required to the primary statements. • Some working papers required reconciliation to the draft accounts. • Outdated accounting policies and note disclosures were not updated.	misinformation and uninformed decision-making by the users. **<u>Recommendation:</u>** We recommend that a stringent quality assurance process, which includes completion of a quality review checklist, is implemented prior to the draft accounts being provided to audit.		the financial statements were beyond our control as they primarily related to employee obligation provision adjustments for the final actuarial assessments report by Mercer, independent actuarial.	
8. <u>Limited progress in implementing recommendations to improve internal accounting processes</u> We noted that the Authority had commissioned an independent review of its internal accounting processes. The review identified significant deficiencies and made recommendations for improvement. Target dates for implementation were agreed. All recommendations were expected to be implemented by the end of 2024.	**<u>Risks/Implications:</u>** Weaknesses in accounting policies and procedures may lead to poor quality financial information for decision-making and non-compliance with legislation and accounting standards. In addition, they may result in errors and misstatements in the financial statements.	Yes	Management accepts and agrees with this recommendation. We have commenced a revision of the plan of action which will provide regular progress reports to the Board.	Q3 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
We also noted that progress updates were supposed to be provided to the Board throughout 2024. However, this did not happen. Management informed us that implementation of the recommendations would be completed in 2025.	**Recommendations:** Management should: • Prepare a status report on the implementation of recommendations as soon as possible. • Prepare a revised action plan with target dates for full implementation of the recommendations as soon as possible. • Provide the above documents to the Board and provide regular updates to the Board.			